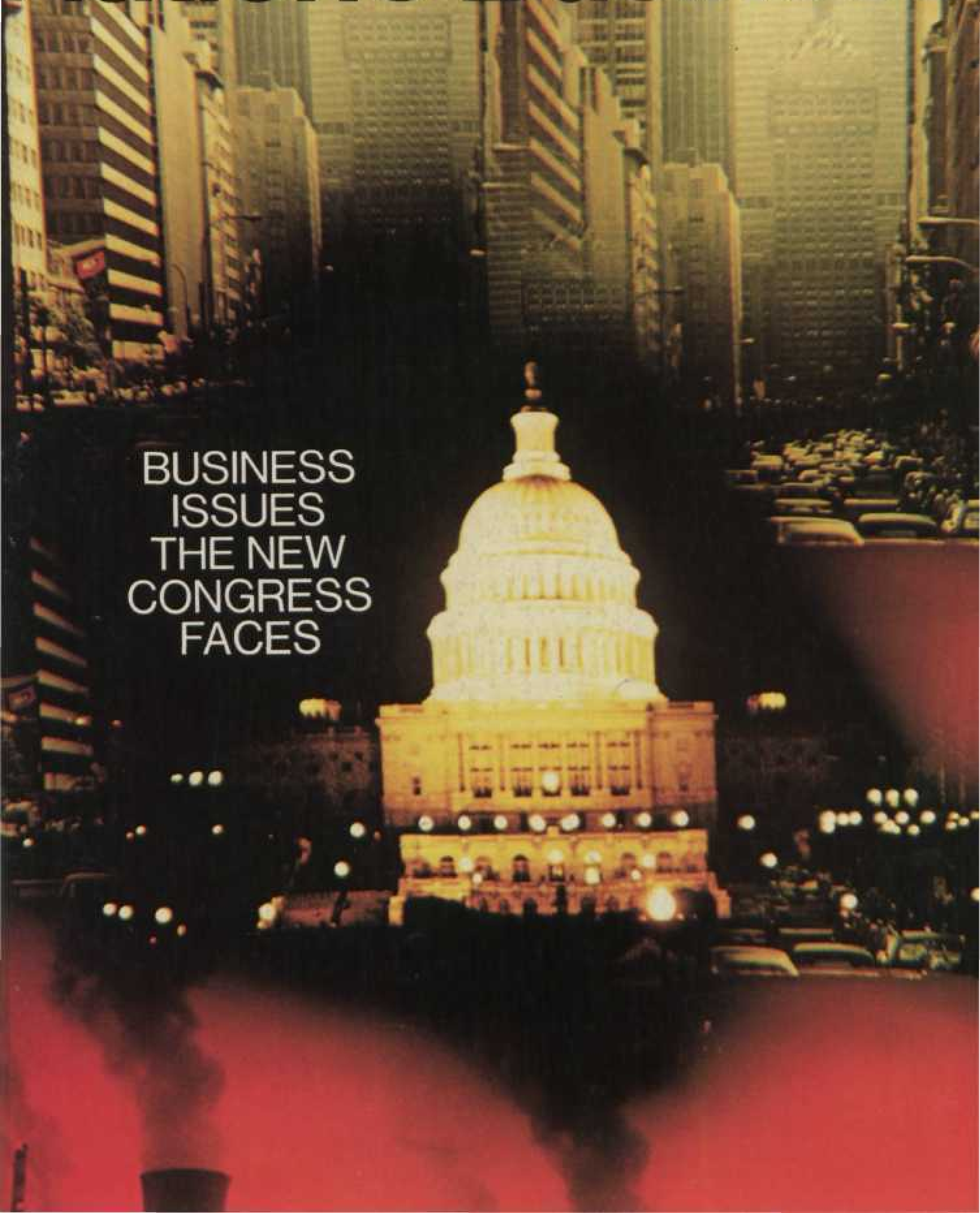
A USEFUL LOOK AHEAD FROM WASHINGTON DECEMBER 1970

Nation's Business



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It took the best brains in the business to come up with a group life plan so different, 150 company presidents bought it on sight.

Since nearly 3,000 companies selected Phoenix Mutual for their group life insurance in 1970, you may wonder why we're singling out 150 to talk about here.

The answer is simple.

These 150 — some of them names you'd know instantly — were offered a totally new concept in group insurance.

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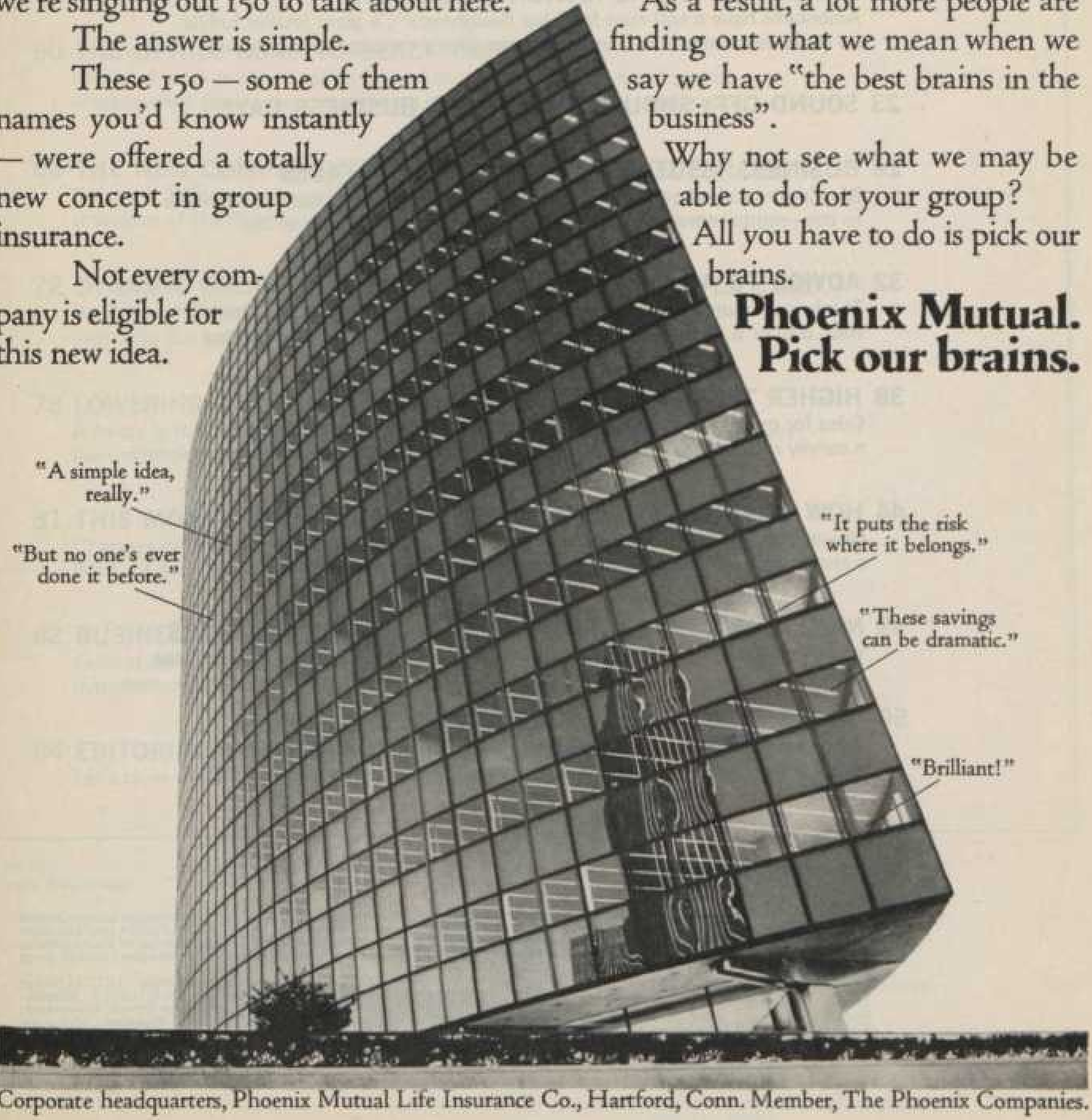
But those that are find they get significant savings. (Along with a number of other equally significant advantages.)

As a result, a lot more people are finding out what we mean when we say we have "the best brains in the business".

Why not see what we may be able to do for your group?

All you have to do is pick our brains.

Phoenix Mutual.
Pick our brains.



Corporate headquarters, Phoenix Mutual Life Insurance Co., Hartford, Conn. Member, The Phoenix Companies.

Nation's Business

Cover photograph by Barry Blackman

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PUBLISHED IN WASHINGTON, D. C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

One of a

Tim Cutler, President, Miracle® Adhesives Corporation, Bellmore, Long Island, New York


Stephen Bryan
Bernard Gilmore

MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

If you had just signed up a man (or a gal, for that matter) at $42,500 a year, you'd sure want to know what he was going to be doing.

Well, you and your fellow citizens have just chosen at least one $42,500-a-year man to work for you in Washington—your Congressman. There's a fair chance that you also chose a Senator—at the same pay—in last month's election.

So what are they going to do for you?

During the next two years they'll be making some mighty important decisions that will affect your business as well as your personal life and our country as a whole.

In the coming year they'll face a whole array of issues left over from the present Congress, plus many new proposals.

To assess the issues that will affect business most, we talked with leaders of both houses of Congress in both parties. They're pretty well agreed on the nature of the biggest questions: spending, taxes, inflation, health care and others. See page 26.

• • •

Getting the views of Senate Majority Leader Mansfield for that article—and for another upcoming article—required quite an expedition.

Associate Editor Bob Gray flew from Washington to Spokane. From there he was supposed to catch a plane to Kalispell, Mont., where he hoped to see the Senator. But the plane was filled. When he asked about driving, he was warned that there was a lot of snow on the northern Rockies, so he took a train to Whitefish, Mont., which is near Kalispell.

Because of the snow, the trip took nine hours—in which Bob "lived it up" in a day coach. And when he arrived in Kalispell, the Senator had gone. Finally, he chartered a plane to Great Falls, Mont., Sen. Mansfield's home town. And from the low-flying little plane, he could see that there indeed was a lot of snow on the northern Rockies.

• • •

Problems that Congress will face receive plenty of attention in the press, of course. But you seldom read about the personal problems Congressmen face. There are quite a few.

You'll find some of the more interesting ones discussed on page 32 by Rep. Barber B. Conable Jr. of New York. Rep. Conable has completed three terms in the House, so he knows where some of the skeletons are in the skinny little Congressional closets. We think you'll be interested in his "advice to a new Congressman."

Rep. Conable

But there are some things that a Congressman may not write about for fear of offending someone. Take those skinny little closets, for instance.

Most people think a Congressman has spacious, luxurious offices. Actually, a new man won't get much more than a cubbyhole—and he's lucky if there's a closet at all.

Congressmen may not write, either, about some of the unreasonable demands their constituents make on them. To the folks back home, the Congressman's salary sometimes sounds pretty large. So a good many consider him "fair game" for freeloading. But when he has to entertain a half-dozen hungry constituents at luncheon or dinner every day, the money starts running out.

I know one Congressman (not Rep. Conable) who reluctantly has decided to have his secretary tell out-of-town visitors he isn't in from about 10:30 a.m. on, so he won't be stuck for mass lunches.

So, I'd like to suggest that citizens should be considerate of their Congressman as a hard-working human being, but at the same time be frank with him about what they expect from their official representative.

If you'd hired a $42,500 man, you'd not only want to know what he was going to do, you'd tell him what you wanted him to do. And that's the way it should be with your Congressman and Senator. They'll appreciate straight talk from you.

Jack Wooldridge

LETTERS

HOW TO PICK A TOP SALESMAN

• The "Save billions on salesmen" item ["Executive Trends," October] hits the nail on the head about training and turnover costs for America's salesmen—but the claim that "even among butchers, coal miners . . . or the unemployed perhaps one in 10 have the ability to be top sales producers" is grossly misleading.

Our experience shows that (a) perhaps one or two in 100 have what it takes to become a top producer; and (b) the greatest single mistake by a young sales manager is to ascribe his own strengths to the candidate: "I think he can do it; after all, all he has to do is. . . ."

Instead, the sales manager should assume that, like most people, the candidate either can't sell or doesn't want to. He should be looking for evidence that the man has sold successfully, or has successfully performed other assignments suggesting that he has what it takes for selling.

But, one in 10 among butchers or coal miners? Ridiculous!

FRANKLIN W. GILCHRIST, PH.D.
President
Aptitude Testing for Industry
Los Angeles, Calif.

Another look at inflation

• Re: "Where's the Money Coming From?" [October]. For the past decade or so most economic analysts have indicated that the best way to dampen inflation is to impose higher taxes. This just isn't so, and I don't care how many professors with high sounding titles keep preaching it.

It might be so, if a tax increase were really steep, say an extra 20 per cent; but a small increase of the 5 per cent to 10 per cent range creates as much inflation as a budget deficit does.

For instance, here in the San Francisco area, property and state taxes have increased three to four times in the past five years. This didn't stop inflation. The average wage earner or salaried man realizes his take-home pay is less. So, the unions ask for not just 5 per cent or so to keep up with cost of living, but maybe 15 per cent to make up for all those extra taxes.

When unions receive higher wages, public servants at all levels want more to keep pace, as do engineers, salesmen, etc. This means still higher taxes, and on and on. Inflation will not end until a majority of people at all levels are willing to sacrifice.

Of course, we could have a major depression, but who wants that?

AREL W. BERRIER
Berrier Sales Co.
San Francisco, Calif.

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hook on here... haul in profits

Louisiana's enormous natural resources have spawned billions of dollars in primary industrial development. Now secondary businesses are "hooking on," too. Here's why.

Oil, gas, salt, sulphur, timber and an unlimited supply of fresh water. Louisiana is blessed with them all and many more. Industry was quick to utilize them. Now secondary manufacturers are "hooking on" to the by-products of these plants—expanding existing facilities or *locating* here in order to manufacture finished products of their own. But this is just one hook. We have waterways, airways, highways, and railways to move your finished goods anywhere in the world. And Right-To-Profit laws to give business and industry every bit of help we can.

Here's your chance to get at the *source* of supply.

Hook on. Then haul in the profits.

SOMETHING FOR YOU–

What's *your* business or industry's profit potential in our state? Write for our factual color brochure, "Louisiana's Big Six Industrial Advantages," care of William T. Hackett, Jr., Executive Director, Department of Commerce and Industry, Div. 212, P. O. Box 44185, Baton Rouge, Louisiana 70804, (504) 389-5371.

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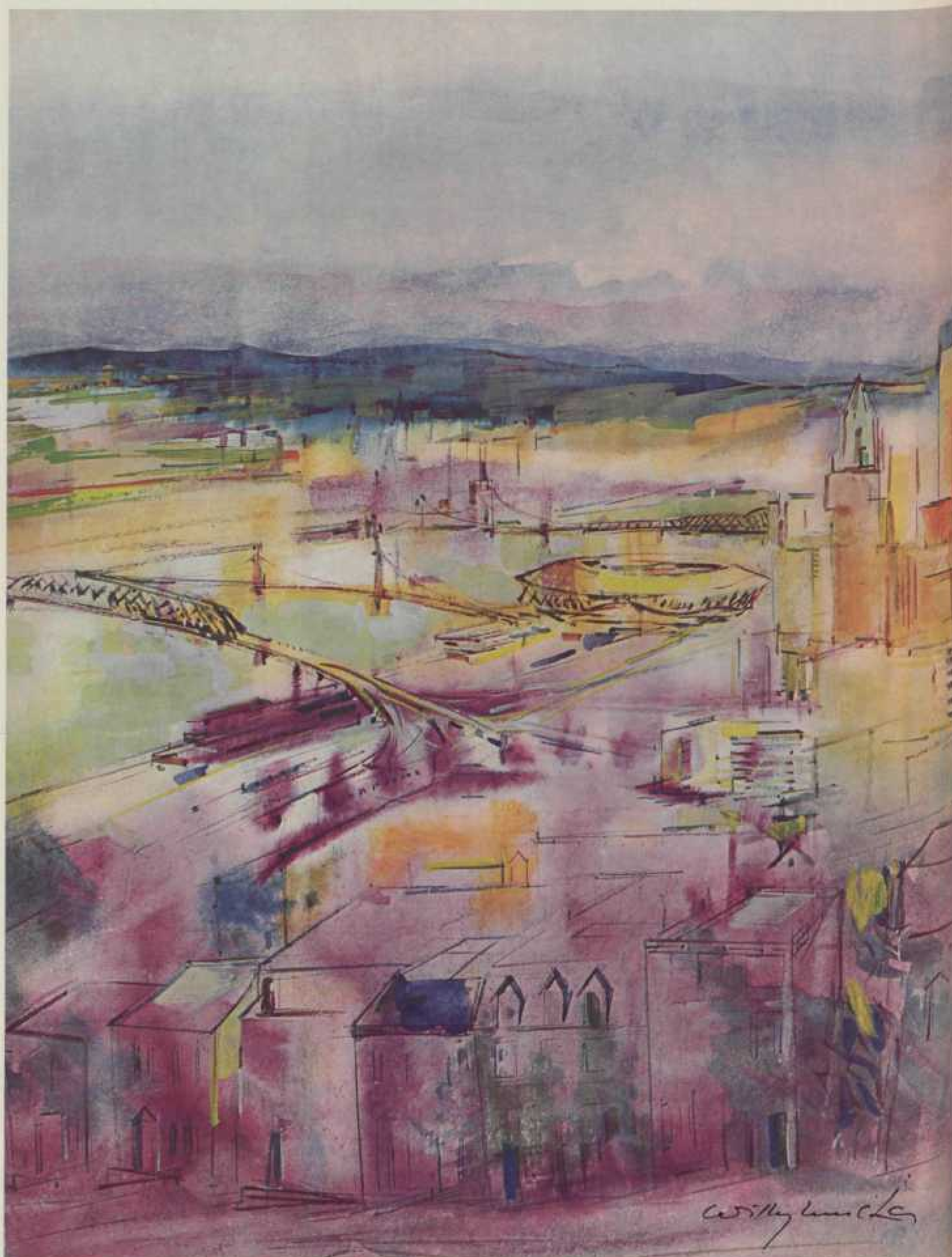
The Right-to-Profit State



Beatniks for hire?

• "Businessmen Sour on College Support" ["Sound Off Response," September] was quite interesting.

I heard one of our generals state on television that he was in favor of setting up some units in the Army to which all the boys desiring to wear long hair and heavy beards would be assigned.

This sounds like a very good suggestion. I would like to see some colleges set up in which the students could dictate the rules under which they operate. I just wonder if these schools could get enough teachers willing to work under the dictates of these long-haired beatniks. And after the students had four years of college, would anybody be willing to hire them?

Princeton and Columbia have done all kinds of experimenting, so I would suggest that we turn them into experimental schools—making sure we restrict the enrollment to this type of student.

DAVID R. SHAHAN
Simmons-Huggins Supply Co., Inc.
San Angelo, Texas

• Please ask businessmen not to withdraw all support of colleges and universities, but to transfer that support.

In three years at West Texas State University I have failed to see a riot, sit-in, or protest. Our three-year-old business complex lacks "hippie teachers" and fire bombs. (Also enough calculators.)

Just as student radicals are in the minority, so are "irresponsible college administrators or teachers." Investments should not be dropped due to poor return rates; only rechanneled.

TERRY HOAK
School of Business Administration
West Texas State University
Canyon, Texas

Training formula questioned

• The "Getting value from your training dollar" item in "Executive Trends" [October] cites a value analysis formula, suggested by Praxis Corp., for avoiding expenditures for training programs which do not turn out a worthwhile profit. Strict adherence to this formula would result in no training program being deemed worthwhile unless its resulting savings during the first year equaled or exceeded the training cost.

In the example cited, the XYZ Corp. is receiving an annual return of about 40 per cent ($198/$492) of its investment in its training program and will fully recover the entire cost of this program in about 2.5 years. Many corporate executives would very much like to engage funds in such "backfires" yielding a return of only 40 per cent annually.

RICHARD J. KOVACH
Corporate Planning Department
Union Electric Co.
St. Louis, Mo.

• The Praxis Corp. formula does not consider one essential point. The cost of the training in the example given is a one-time cost; the scrap savings (presumably) will be repeated every year.

If we look at training costs as new investments in the business (as they are, in a very real sense), we should normally not expect the entire cost to be recovered the first year. Assuming a five-year "life" and using discounted present values, the example given in the article works out to about a 22 per cent rate of return—not really great, but perhaps worth doing.

JACK E. GARRETT
Manager, Graduate Engineering and Information Systems Education
Western Electric Co.
Princeton, N. J.

• Do they think the training is only going to "take" for one year? Surely the majority of the 34 machinists will be on the job for at least two years. At the end of that time, their training would have saved XYZ Corp. $396. If they stay on the job another six months, the savings would figure out at $495, or $3 more than the cost of the training.

In other words, the $492 training cost would be fully returned in only 2½ years, which seems to be a reasonable length of time.

DOW DOZIER
Del City, Okla.

Useful tips for all

• Your article "Hostility—A Big Expense You Can Avoid" [September] by Dr. Milton Layden was read with great interest. Its impact seems to be much greater since it comes from someone who is not directly involved in the business world. It helps us see ourselves through the eyes of an outsider looking in.

The contents could apply to almost anyone in his daily routine of living as well as in business.

HOWARD HELFAND
Corman & Wasserman, Inc.
Baltimore, Md.

Excess wage demands

• There should be no place in our national business community for those industries which capitulate to excessive demands in union wage negotiations at the expense of the American people.

It is downright dishonest to grant wage increases and costly fringe benefits which subsequently raise the price of a nationally marketed product so the consumers must pick up the tab.

This is corporate chicanery at its worst, and management teams engaging in this practice are aiding an insidious inflation and an early demise of the country's economy.

GEORGE P. PETRAKIS
Columbia, Mo.

Industry vs. pollution

• Too many communities continue to misunderstand the role of industry, seeing it in terms of pollution and problems rather than often-complex and difficult-to-document economic benefits that go beyond jobs, taxes or income.

NATION'S BUSINESS must be congratulated for publishing "Industry's Hidden Dividends" [October], which presents clearly and dramatically the impact of planned economic development at the local level.

Because of your influential national readership, my guess is that many communities will begin to question their long-held assumption that new industry means new trouble.

TED M. LEVINE
President
Development Counselors International, Ltd.
New York, N. Y.

• Pollution is a local issue, not a national one. Even though many areas are affected, the causes are local. However, the nation should enact laws to permit affected local areas, which are divided by political boundaries, to vote and act as a single unit so all affected persons can vote on their own controls.

Persons outside the affected areas should neither have the right to vote on the issue nor be taxed by its results. What justification is there to tax a Wyoming rancher or a Gulf fisherman from Louisiana for a city smog problem which he neither causes nor experiences?

I have been a practicing conservationist for 40-odd years, but experience has made me more of a realist than most of the johnny-come-lately adherents to the antipollution movement of today.

Many process engineers have worked continuously to reduce pollution as much as possible within the severe economic limits imposed by competition for low consumer prices. Some companies have not done as well as they might, of course, but in the long run, price competition sets the limits.

E. O. SOWERWINE JR.
Managua, Nicaragua

Digging into the DISC plan

• Re: "Shot in the Arm for Our Exports" [October]. So far as it relates to DISC, the article is quite good. A few comments:

The DISC provisions included in the trade bill now pending in Congress would take effect on Jan. 1, 1971, on a phase-in basis (50 per cent deferment in the first year, 75 per cent in the next two years, and 100 per cent in the fourth year).

Nonresident aliens and foreign corporations can invest in a DISC, provided they agree in advance to subsequent assessment on a prescribed basis.

The two paragraphs about the existing provisions taxing income earned by a foreign corporation, are somewhat jumbled:

The foreign tax credit is allowed only with respect to income which has been received (or deemed received) and taxed; the deferment which may be obtained by use of a foreign corporation to manufacture abroad in no way depends on any foreign tax credit provision.

The U. S. exporter cannot defer tax on exports by reason of owning stock of a foreign manufacturing company. A U. S. exporter selling goods abroad through a foreign sales subsidiary can obtain deferment of tax on the selling profit earned abroad by such a subsidiary only if its sales are confined to the country in which it is incorporated. (No such restriction would apply to sales made abroad by a DISC.)

PAUL D. SEGHERS
President
Institute on U. S. Taxation of Foreign Income, Inc.
New York, N. Y.


The new Logos 270:
It looks different
because it is.
Olivetti's new Logos 270 electronic printing calculator combines all the advantages of printed tape with the speed and compactness of electronic display machines.
Printed tape provides a record of every entry, operation and result. Unlike display calculators, results can be verified by simply
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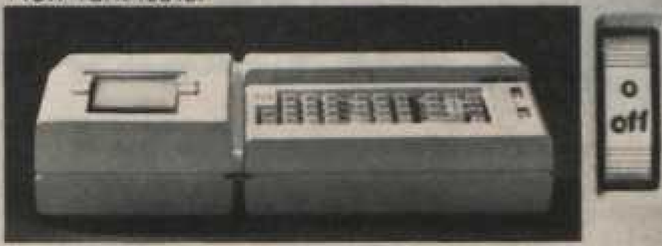

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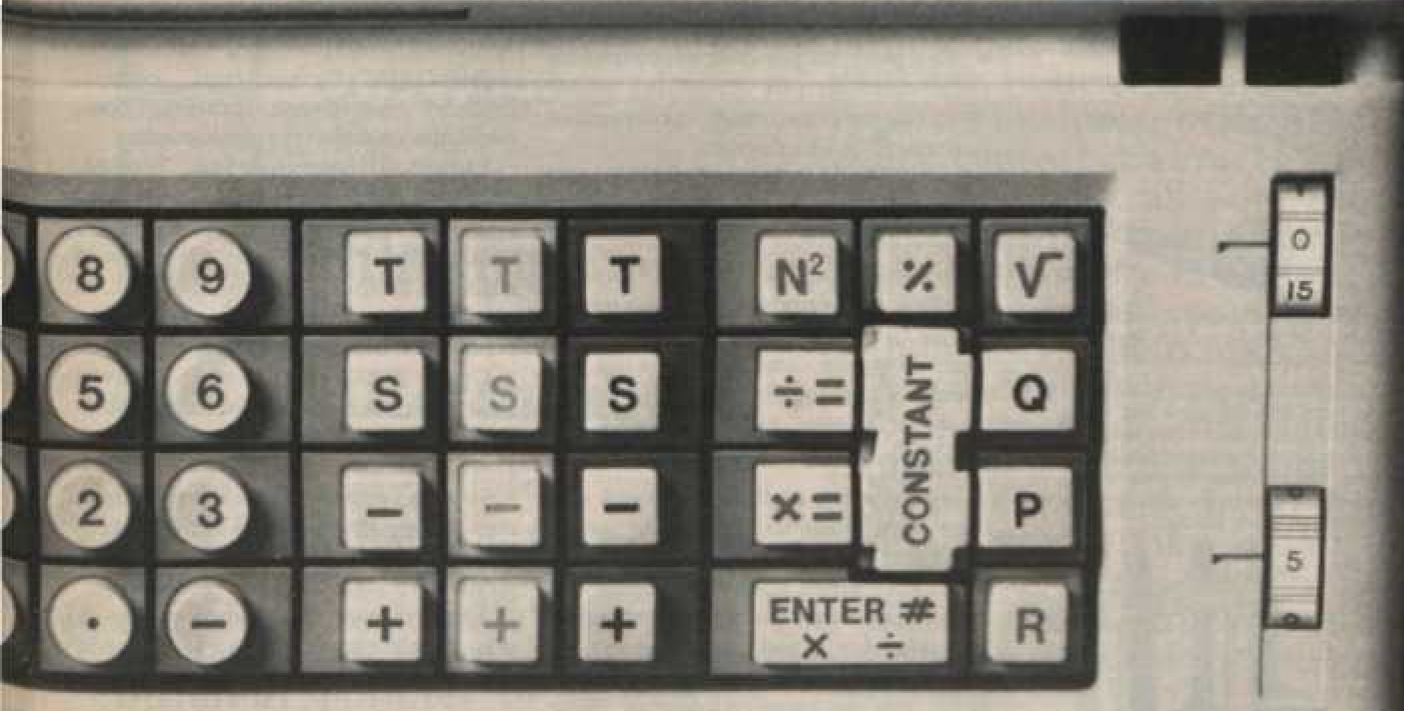

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

- Economy takes a holiday
- Foremost for foremen
- Are pants suits suitable?
- Charting employee exits

Not shooting Santa Claus

"Sure, we fired some executives.

"And we started counting rubber bands and checking up on how many pencils people took home to their kids.

"This year, penny-pinching and cost-cutting were the watchwords."

That's how one executive describes his company's conduct in Spartan 1970. But apparently economy stops at Christmastime.

More companies than ever plan to give gifts this Yuletide, The Dartnell Corp. reports. And they plan to spend more than ever before.

Here are some of the findings from Dartnell's latest survey of corporate Christmas gift practices:

• This year, 61 per cent of companies polled plan to put something under the tree for customers, prospective customers or employees.

In 1965, the last time Dartnell queried them, only 55 per cent planned to send presents.

• Seventy-seven per cent will spend as much this year as last—or more.

The average gift last year ran from $5 to $25. And the total bill per company averaged $2,559. In 1965, most gifts were under $5, and the total bill averaged $2,364 per firm.

"A majority of the companies say they give gifts to customers, prospects and employees as a regular practice," a Dartnell spokesman says.

"Of those that do, 48 per cent give to customers, 4 per cent to prospects and 48 per cent to employees. Many firms fall in more categories than one."

Nearly seven out of 10 retail firms give gifts, the Dartnell survey shows; so do 66 per cent of wholesale firms, 61 per cent of manufacturers and 55 per cent of service firms.

Smaller firms are most likely to play Santa. "Many large companies," Dartnell says, "have abandoned the custom." Among reasons cited:

• Gifts can cause hard feelings, since someone always feels slighted.

• They're too expensive—and of too little value to the firm.

• They're in bad taste and a poor business investment.

The way to an employee's heart is through his stomach, most firms seem to feel. Hams, turkeys and other food items top the employee gift list.

For the customer, Dartnell reports, liquor often is at the top of the list—although his likes and dislikes are carefully weighed.

Now it's whiskey by wire

Also gin, vodka, rum, cognac, liqueur, champagne, brandy, beer, cocktails and sherry.

Liquor Gift Service, Inc., Worcester, Mass., makes it as easy to send spirits as it has been to send flowers.

Its catalog lists some 47 pages of assorted brands that can be sent as gifts—during the holidays, or on other suitable convivial occasions.

Cost: $1.50 service and delivery charge—plus local cost of the potable. Deadline for Christmas delivery is Dec. 7.

In some states, which operate their own liquor stores, LGS sends a certificate that covers the cost of the gift.

LGS' motto: Send unto others as you would have them send unto you.

$400 million down the drain?

"If it's really a gift, you shouldn't give it," says one authority.

U. S. businessmen will spend $400

EXECUTIVE TRENDS

continued

million this year on Yuletide presents, estimates Brown & Bigelow, St. Paul, Minn., a leading supplier of business gifts.

"If there are no tangible results," it says, "the money's wasted."

Rewards you should reap, it advises, are things like more store traffic, better customer relations, new accounts or better relations with employees.

And there are better times—and better ways—to cash in on a gift than at Christmas, it says.

Santa brings a lot of brightly wrapped items in his pack. Yours might be overlooked.

"Birthdays, anniversaries and other occasions are times when a gift may have more impact," Brown & Bigelow says.

What foremen want in their Yule socks

Not booze or bonbons—but a cattle prod.

Or, preferably, some gentler—but effective—persuader.

That's what a recent survey suggests.

Foremen, polled nationwide, cited three activities that claim top priority on their time:

- Meeting production schedules.
- Making efficient use of manpower.
- Getting a full day's work from people.

"It boils down to getting employees cranked up and running in high gear," says a spokesman for the Foremanship Foundation, survey sponsor.

"A hifalutin word for it is motivation.

"That's the same challenge executives face."

The detailed study is a repeat of one made 20 years ago, and shows the foreman's job today is tougher and more complex than it was earlier.

"Keeping his people basically happy, while getting better and better performance per man-hour, is the foreman's daily headache," says Foundation Secretary Harry Jeffrey.

When it's time to pay the piper

Do you have writer's cramp from signing checks for those Christmas bills?

One bank has found how to solve that problem, too.

The First National Bank of Arizona has a new supercheck that permits you to pay as many as 48 bills with one stroke of the pen.

It lists on one king-sized check the four dozen local merchants and utilities most often paid by check.

Checking account customers simply indicate which are to be paid—and how much. The bank takes care of the rest. The plan caught on quickly. Now some 350 other banks are looking into it.

"It's just one of the things a full service bank may do for its customers," the Foundation for Full Service Banks says. Others include left-handed checkbooks, in-plant banking and lobby playpens for thrifty mothers.

Midi, mini and pants suits

"They look flakey to me," one executive says.

He means women employees in pants suits.

But other office managers don't agree.

The pants suit's O.K. with a majority of them, the Administrative Management Society finds in an informal poll of its members. So is the midi.

"Some draw the line at the extreme styles in pants suits, like bell bottoms and pleated trousers," says Rob-

Next Month: GREAT MOMENTS AND GREAT MEN OF AMERICAN BUSINESS

What moment puts a company on the road to greatness? What man's decision, insight, or daring is responsible for that step that turns a company from the ordinary to the extraordinary?

NATION'S BUSINESS next month will for the second straight January bring you the stories of great moments and great men of more than a score of companies.

You'll read about Rowland Hussey Macy, a failure—for a moment—at 36. And about Cyrus Holliday, who built a city, helped develop a state and established a railroad that met the Longhorns pounding up the trails from Texas. And about Morgan Bulkeley, the "Crowbar" Governor who ran a state, as well as a growing insurance company, Aetna Life.

It's a fascinating peek into the past of some of America's corporate giants. And one you'll want to take.

EXECUTIVE TRENDS

continued

ert Walter, AMS executive director. "Others, like a major chemical firm and a large Eastern insurance company, say they much prefer dresses—where women employees meet the public."

But one executive summed up the majority view this way:

"I'd rather see a woman employee in a pants suit than in a mini. Especially around a low water fountain."

Losing lots of employees?

You can cut down on turnover, says Western Girl, Inc., by keeping track of why they leave.

Here are some facts it says you should know about every employee who quits—or is fired:

• Did he or she leave to take a job with better hours, better pay or a better future? If so, is outside competition responsible?

• Was it a disliked supervisor, or fellow employees, that induced him to say goodbye? If so, who was at fault?

• Was he fired because he was incompetent? If so, had he been properly placed?

• Was he laid off because of lack of orders? If so, is scheduling efficient?

Western Girl, an international temporary help service, puts all questions on a monthly chart that tells at a glance who left—and why.

"By comparing one month with another," the firm says, "you may be able to spot the causes and correct them."

Charts are available from local Western Girl offices.

It's not wine's tint —it's the taste

"Is it red wine or white with beef?

"White or rosé with oysters?"

Too many Americans fret over questions like these, the Wine Institute says.

"They've been overexposed to the idea," it adds, "that wine drinking is an arcane art—like yoga."

The best rule, the Institute says, is this: "If you like the wine, drink it. Follow your palate, not a color chart."

Generally speaking, white wines are best with fish, fowl or other foods with a light or subtle flavor. That's because most white wines, but not all, aren't as hearty as red, the Institute explains.

Serve red, it adds, with red meat or other dishes that might overpower a white wine.

No matter what wine you serve, buy a good opener that will corkscrew into the cork and then pull the cork out.

To open champagne, here are a few tips from Charles Fournier, honorary lifetime president, Gold Seal Vineyards, Inc.

Don't wrap a napkin around the wine before you serve it. That conceals the label.

"If it's a good champagne," Mr. Fournier says, "why hide it?"

Do use a napkin to wipe off the bottle after you remove it from the ice bucket. Then wrap the napkin around the neck, remove the foil seal and unfasten the wires that help hold the cork tight.

Hold the cork in your left hand, the bottle in your right at a 45-degree angle.

Be careful not to point the bottle at anyone. Then slowly turn it, and ease the cork out.

"It's when you try to turn the cork instead of the bottle," Mr. Fournier says, "that it may break off in the neck."

MRS. CHAMBERS-PRIDE WANTS 32 DOZEN GLORIOUS PINK PEONIES FOR DARLING MIMSY'S SUNDAY COMING-OUT TEA AND YOU'RE GOING TO BE STUCK WITH NOTHING BUT POOPED PANSIES IF THE NURSERY CAN'T COME UP WITH A FREIGHT SERVICE THAT WORKS WEEK-ENDS?

Greyhound it.

Greyhound Package Express is fast. Packages often arrive the same day, because they go by bus—right along with the passengers. 7 days a week, 24 hours a day, including holidays. No high cost—and you can even ship collect. So whether you're a big businessman or a little lady with a package, just take it to a Greyhound terminal and *Greyhound it!*

Greyhound Package Express

Here are some of the new things we've been doing at Cyanamid

CLIFFORD D. SIVERD
President and Chief Executive Officer,
American Cyanamid Company

Acquired The Ervin Company, a developer of residential communities in the Southeast.

Completed facilities for the production of the new Dexon® synthetic suture in Great Britain and introduced product to British market.

Announced plans for a significant expansion of polyester filament capacity at I R C Fibers plant for tire and industrial applications.

Acquired Farmer Electric Products Co., Inc., maker of photoelectric and related industrial-control equipment, to add greater flexibility to Cyanamid's product line in the materials-handling and industrial-automation markets.

Entered into an agreement with ESB Incorporated to cooperate in the development, manufacture, and sale of electronic cardiac pacers and other electro-medical devices.

Launched a major new pollution control program by converting several plants from coal to natural gas for power and heating systems and by installing a unique double absorption process designed to lower sulfur dioxide emissions at new Warners sulfuric acid plant.

Introduced a new hair-care product, Breck Satin® conditioner, a new household product, Formica® Floor Shine® finish, and started construction of a new plant for production of Breck products at Fort Madison, Iowa.

Announced plans to build a new plant at Charlotte, N.C., to produce resins and specialty chemicals for the Southern textile industry.

At Cyanamid we continue to grow in many directions to meet human needs in health, food production, building materials, fibers, consumer goods and chemicals for industry.

CYANAMID

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PANORAMA
of the nation's business

BY VERNON LOUVIERE
Associate Editor

Square, or Foursquare for His Country?

The full-page ad shows a picture of "Joe Roughneck" with hard hat and the American flag emblazoned across it. He says proudly, "I'm a square," and explains why:

"Some folks think I'm off my rocker when I say I love my country . . . others snicker when I salute Old Glory, and there are some who downgrade Uncle Sam and say he is a lost cause. . . . The card burners don't understand the pride I take in my Army discharge, and the kids at school poke fun at my son because he stands up and sings out when they play 'The Star-Spangled Banner.'

"When I go to bed at night, I thank God I'm an American and I pray to live every day of my life like a red-blooded, home-grown American ought to.

"For this, I'm square?"

A "hard hat" willing to stand up and be counted for his country.

The ad, one of four with a similar patriotic theme, was sponsored by Lone Star Steel Co. of Dallas, Texas. The company also offered American flag lapel pins or tie tacks and was besieged with requests, including hundreds from Americans based in 15 foreign countries.

Another ad shows "Joe Roughneck" looking at Old Glory and admonishing, "Build it . . . don't burn it." He goes on to say:

"The nit pickers are having a ball these days . . . they march against this and they march against that . . . they cuss everything it took almost 200 years of blood, sweat and tears to build . . . they aren't satisfied to fare well . . . they want welfare . . . they want to eat high on the hog but they aren't willing to scald and scrape it . . . they haven't learned that responsibility is the price of freedom. . . ."

One American who saw this ad wrote, "I want to congratulate you for this particularly appropriate motto for 1970." The letter was signed "Richard M. Nixon."

George A. Wilson, chairman and president of Lone Star Steel, was gratified by the warm public response to the ad series. He told *Nation's Business:*

"It proved Americanism is still very much alive and kicking clear across this great land of ours."

Banks Share in Fight Against Pollution

A number of banks around the country are starting to offer "Earth Bonds" to help in the fight to clean up the environment.

One, Arlington Trust Co. of Arlington, Va., states the purpose simply:

"Earth Bonds are a new savings plan providing you with the opportunity to invest at higher interest rates while joining others in maintaining our natural resources.

"Arlington Trust will match your Earth Bonds dollar for dollar. Loans can then be offered to businesses, industries and civic organizations to correct or alleviate land, water and air pollution problems."

The idea was conceived a few months ago by J. Christopher Black, commercial officer for the First Pennsylvania Bank of Philadelphia. As he explains it:

"We felt we wanted to do something in this all-important field of the environment. We had only one guideline:

"What we would do had to be a function of a bank and it had to be consistent with our goals. The Earth Bond was the result."

Earth Bonds are offered in a variety of ways. Arlington Trust, for example, will pay 5 per cent for bonds held from 90 days to a year, 5½ per cent for one-year bonds, 5¾ per cent for two-year bonds and from 6 to 7½ per cent for bonds of $100,000 or more, depending on terms negotiated by the bank and the customer.

The Philadelphia bank, which is prepared to handle up to $25 million in Earth Bonds, has approved a $380,000 loan to a metal refiner and another for $350,000 to a cement company, both for installation of anti-pollution devices.

"We feel this is our contribution to keeping the city livable," says Mr. Black. "After all, as goes the city so go we."

continued on next page

Where Parents Didn't Fail

Shortly before retiring as president of Pennsylvania State University to join the Aluminum Co. of America as vice president for science and technology, Dr. Eric A. Walker left his students with some thoughts on two older generations.

"I would like to introduce you to people you already know—your parents and grandparents," he told the student body. "And remarkable people they are indeed."

Dr. Walker reminded his young audience that theirs is a better world because of these people. He said:

"Because they were materialistic, you will work fewer hours, earn more, have more leisure time, travel to more distant places, and have more of a chance to follow your life's ambition.

"These remarkable people lived through history's greatest depression. Many know what it is to be poor, to be hungry and cold. And because of this, they determined that it would not happen to you—that you would have a better life, you would have food to eat, milk to drink, vitamins to nourish you, a warm home, better schools and greater opportunities to succeed. Because they gave you the best, you are the tallest, healthiest, brightest, and probably the best looking generation to inhabit the land."

Dr. Walker of Alcoa talks to youngsters about their legacy.

Dr. Walker also reminded that these are the people who defeated the tyranny of Hitler and who had the compassion to spend billions to help their former enemies rebuild their homelands.

True, he conceded, they have had some failures, too.

"They have not yet found an alternative for war, nor for racial hatred," he explained. "Perhaps you will perfect the social mechanisms so that the earth will no longer need police to enforce the laws, nor armies to prevent some men from trespassing against others."

And finally Dr. Walker left the students with this challenging message:

"They made more progress by the sweat of their brows than in any previous era . . . and don't forget it. And, if your generation can make as much progress in as many areas as these two generations have, you should be able to solve a good many of the earth's remaining ills."

A Company Builds With a Foundation

"If business does not assist in the crucial work of solving society's problems, society will not continue to grant business its traditional opportunity for profitable growth."

On this note the Dayton Hudson Corp. of Minneapolis seeks to fulfill its social responsibilities in the 36 cities where it operates. And it does so by earmarking annually 5 per cent of its pretax profits—last year, that 5 per cent was $2,363,393—for a wide variety of civic and social programs.

"We try never to lose sight of the fact that a man leads one whole life, and it is this whole life of a man living in his environment that we are trying to improve," says Bruce B. Dayton, board chairman of the retailing firm.

The Dayton Hudson Foundation is the major vehicle through which the company contributes to charitable causes. The funds are used for cultural and educational improvement and to upgrade the social environment in urban centers.

Robert W. MacGregor, executive director of the Foundation, explains the role of foundations in such programs:

"To make our cities once again dynamic centers—socially, economically, culturally—this is the great work ahead for American business and private foundations.

"Although this work must be shared with the public sector, the private foundation brings to the task at least two advantages over government: flexibility and speed. A foundation, smaller and less encumbered by partisan political considerations, can respond more quickly to human needs, and more swiftly change priorities in the face of new problems."

The Dayton Foundation (its name was broadened after the merger of the Dayton Corp. and the J. L. Hudson Co. in 1969) was established in 1918 in the belief that men should work together to help themselves become better persons. In its 52 years it has adhered faithfully to its goals of:

"Promoting the welfare of humankind . . . by affording opportunities for education and mental improvement in any helpful direction, by bettering the physical habits and conditions of human living, and by relieving the distress . . . of the poor, the sick and the afflicted."

How would you like to have one business insurance policy instead of ten?

You would?

Well, keep on reading. We've got just the thing for you: Continental's Comprehensive Business Policy.

With it you can put *all* your property, liability and fidelity insurance in just *one* policy. So you'll have only one premium to pay.

Only one agent to deal with.

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And maybe we can save you up to 25%, or more. Another thing: we don't force you into a rigid package plan.

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Now if you want to know exactly how much money our CBP can save you, and how many coverages you really need, call your local Continental agent.

He'll gladly arrange for your business to have a complete insurance survey. Free.

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SOUND OFF TO THE EDITOR

SHOULD THERE BE A BUSINESS DAY?

Independence Day. Veterans Day and Memorial Day. Thanksgiving Day. Labor Day.

We celebrate them every year as part of our expression of pride in, and gratitude for, what we have as Americans.

Have you ever stopped to think that they have a common denominator which we somehow never have gotten around to celebrating with a holiday of its own?

You're a part of that common denominator.

It can easily be argued that without American business, and the free enterprise system in which it thrives, we might have no independence. Not only did businessmen play a big role in winning our liberty, but the economic checks and balances which are ingredients of competitive free enterprise have a lot to do with preserving that liberty. Totalitarianism feeds on economic control.

Without business brains and production, wars in which Americans fought and died could easily have been lost. We might be under the boots of foreign dictators right now.

Without the living standards which business has given us, we would have much less to be thankful for on the fourth Thursday in November.

And as for Labor Day, that union-sponsored honoring of our nation's working people which has been a legal holiday since 1894—well, where would the jobs be if there were no businesses?

The specifics of the benefits America receives from business go on and on:

Equipment and techniques which add to our land's bounty; products which make lives fuller, and research which prolongs then. . . . Taxes which permit our government to function, and contributions of men and ideas which help it to function better. . . . Gifts to charity, to colleges, to art galleries and museums. . . .

And yet—there is no Business Day.

Should there be one?

On the Yes side, answers include the argument that business should be so honored just because it deserves it. And that the business system should be defended—in this way as well as in others—against the attacks of the radicals.

On the No side are arguments that business doesn't need a holiday of its own—that what it does for the country is well known, and that a Business Day would be a form of patting oneself on one's back. Also, that the nation has a plenitude of holidays already—not just the national ones, but the state and local ones, too. (Evacuation Day in Boston and Suffolk County, Mass., Kamehameha Day in Hawaii, Huey P. Long's Birthday in Louisiana. . . .)

And, of course, there are the claims of the radicals, young and not so young, that business is bad.

Should there be a Business Day? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should there be a business day? ☐ Yes ☐ No

Comments:..

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Name and title........................

Company...............................

SOUND OFF RESPONSE

WHAT'S IN A NAME?

NATION'S BUSINESS readers have voted by a three-to-two margin for a political realignment that would give American voters a clear-cut choice between opposing ideologies at the polls.

"Conservative" and "Liberal" were by far the favored choices of names for new groupings that would replace the present Republican and Democratic Parties.

The strong support for a political reshuffle came in response to last month's "Sound Off to the Editor" question: "Should Our Major Parties Change Their Names?"

Those voting "Yes" were almost unanimous in stating that contests between candidates of the present major parties often give them little or no choice of differing views.

Archie W. Hitchcock of the Pomona, Calif., office of Hornblower & Weeks-Hemphill, Noyes wrote that "Republican Party and Democrat Party have little meaning today." It would be more reasonable, he said, if the party had "some relation to issues and ... a candidate's position on issues."

The familiar party names "have absolutely no meaning," in the view of Marshall W. Wright of Wright Chevrolet-Buick, Inc., Columbus, Wisc., and "the time is way past due" to abandon them.

David E. Arnt, president of Hillsdale Tool and Manufacturing Co., Hillsdale, Mich., said "a change from current labels to Conservative and Liberal would force politicians to identify themselves and would provide better guidelines for the average voter."

J. H. Baroco, president of Baroco Industries, Inc., Pensacola, Fla., saw another problem in the present system: "If I contribute to the national party committee, my money can be used for a candidate who represents a cause that I may abhor."

The election of James Buckley as U. S. Senator from New York under the Conservative Party label, said L. E. Zimmer, president, Marshfield Book & Stationery, Inc., Marshfield, Wisc., "eloquently proved that many conservative Republicans and Democrats have no place to go. . . . I hope the New York experience moves quickly westward."

George F. Pott, vice president of International Water Corp., Pittsburgh, Pa., drew on his experience as former chairman of the Republican Executive Committee of Allegheny County in writing: "It appears that now is the time for an alignment along philosophical principles. . . . This would crystalize issues."

Harlan Giese, district manager, Montana-Dakota Utilities Co., Devils Lake, N. Dak., said that "even some of our Congressmen are becoming confused as to whom and what they represent when they vote party lines." The real choice, he said, is state control or free enterprise.

Among the minority opposing realignment was A. W. Michalson, vice president of the Illinois Water Treatment Co., Rockford, Ill. His viewpoint:

"In a pluralistic, democratic society, the major parties should have room for a wide range of opinion and discussion within each party and should compete upon the basis of superiority of candidates and programs, not upon dogmatic differences. In such a democracy, no party which demands ideological conformity and exorcises heretics can or should survive."

And William B. Anhalt, president of Trio-Tech, Inc. of California, Burbank, Calif., said "a name change would be meaningless since there is no one who is all conservative or all liberal."

"Let's keep Democrats and Republicans both," was the suggestion of C. Truett Smith, president of the First State Bank in Wylie, Texas.

Each party, he said, has room in it for both conservatives and liberals, and "thank God for the ideas of both. They enable the majority to find a practical ground somewhere in between. Be thankful that there is some liberalism in any of us and, at the same time, some conservatism in all of us."

R. H. Bateman, sales development manager, Marathon Oil Co., Findlay, Ohio, registered a vote against realignment and saw little merit in the issue of whether major parties should have new names. "Who cares?" he asked. "It is the independent voter who does the electing."

But Dr. Alfred E. Slawinski of Chicago, Ill., said it is not simply a matter of exercising independent judgment. "A voter today has no choice" when confronted with candidates of opposing parties who have similar views, he said.

Dr. Slawinski recommended the Conservative-Liberal grouping, as did W. M. Price, vice president of Morris Machine Works, Baldwinsville, N. Y. "Let's call a spade a spade and be realistic," said Mr. Price.

There were many recommendations for other new party names.

Bill Robinson, owner of Broomfield Heights Realty, Broomfield, Colo., who said both Democrats and Republicans "are promoting big government and big spending together with big deficits," recommended that they merge into a single party and that an "American Party" be formed to oppose it.

"Back in Grandpa's day, the two parties had some significance but now the main distinction is that one party is in and the other party is out," commented Harold A. Lufkin, president, Newton Manufacturing Co., Newton, Iowa. "Maybe that's a good suggestion. Just call them the 'INs' and the 'OUTs.' "

As an alternative to new names, R. I. Anderson, president, Anderson Insurance Agency, Inc., Emporia, Kans., said the major parties should consider and enact "legislation which is in the best interests of this country and not what is best for that particular political party."

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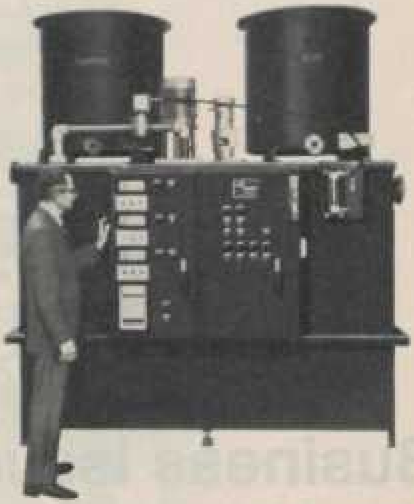

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Business Issues the New Congress Faces

The Ninety-second Congress which takes over next month is going to pick up right where the lame duck Ninety-first now in session leaves off: squabbling over money.

A long shopping list of major proposals of vital interest to business is coming up. They involve taxes, inflation, labor, welfare, the environment, consumerism, crime, city problems, foreign trade and aid, and the draft.

No matter what the Ninety-first does in the waning days of the first post-election session in 20 years, these issues will still be around in one form or another.

And 1971 will see each party looking more and more to the 1972 Presidential elections, which could increase the political coloration often applied in Congressional decision making.

The 1970 election results will add another complication. Democrats will claim a mandate for spending and other policies to force-feed the economy. Republicans will view the defeat of some prominent liberal Senators as evidence voters consider fiscal restraint in Washington a key element in fighting the inflation battle.

The Democrats are going to be solidly in control again, in the House by an even larger margin and in the Senate by a slightly smaller margin (this assumes that Virginia's Sen. Harry Byrd, elected as an Independent this time, continues to line up with the Democrats and that New York's new Conservative Senator, James Buckley, aligns himself with the G. O. P.).

The big questions will be where to spend and where to cut, and how much to spend and how much to cut.

Senate Majority Leader Mike Mansfield (D.-Mont.) looks for escalating debate over the question of shifting funds from defense to education, housing and other social programs.

Noting Administration plans for a continuing withdrawal from South Viet Nam, Sen. Mansfield says: "We are coming to a time for a reordering of our priorities, when the needs of security must be balanced with the needs of the people."

Senate Minority Leader Hugh Scott (R.-Pa.) also views the next year as one in which domestic policies will receive more and more attention.

"Foreign policy is under control," the Senator says, noting there is strong support in both parties, as well as among the public, for President Nixon's plans for Vietnamization and otherwise reducing the U. S. profile throughout the world.

As a result, Sen. Scott adds, the new session will see heightened concern over proposals for overhauling the welfare system and for meeting the nation's housing needs.

On the House side, Majority Leader Carl Albert (D.-Okla.)—expected to be elected Speaker next month—states without reservation that "the economy" will be the big issue of the 1971 Congressional session.

House Minority Leader Gerald Ford (R.-Mich.) sees the possibility of new taxes if "Democrats continue their budget-busting ways."

Partisan politics will have a definite bearing on the track record of the Ninety-second. With Democrats in control again, and a Republican President, what the Congress does or does not do is bound to figure in the

ILLUSTRATION—JOHN HEINLY

1972 Presidential campaign. The tone of the debate over defense spending vs. other needs could very well set the tone for Congressional action in other areas where spending proposals are expected.

Defense spending can be further pruned without hurting national security, Sen. Mansfield says. "It's a question of being selective, of cutting carefully."

Many, including Secretary of Defense Melvin Laird, sharply disagree.

One of the big battles is sure to come over proposals for a national health insurance plan.

Pollution control is another issue due for a large measure of interest.

So is crime. While the Ninety-first took important steps here, many members of the new Congress made it a major campaign pledge to seek an increased federal role in curbing terrorism and group violence. Several new bills zeroing in on terrorist acts are being prepared.

Rep. Ford bluntly says the Ninety-second Congress will have as its major business "the unfinished business of the Ninety-first Congress."

Capitol Hill veterans were surveyed by NATION'S BUSINESS for the key business issues they think will be important ones in the Ninety-second Congress.

This is what they see:

• **Taxes and Spending**—The Nixon Administration is heading into a first-class dilemma on this one.

The federal government's financial position has deteriorated rapidly as this fiscal year has progressed, and that trend won't be turned around quickly.

There's talk of deficits of $20 billion this year and perhaps $10 billion next year, largely as a result of the business slowdown's impact on revenues, of the spending increases built into the federal machinery and of Congressional largesse during the 1970 election year.

The budget President Nixon will send Congress in January for the fiscal year beginning July 1 is certain to be extremely tight in many domestic areas.

But those built-in increases, plus international tensions that caution against further drops in defense spending, will more than offset the cuts.

The President's choice may then be to propose a budget-balancing tax increase or to risk another deficit in the hope its effect on the still sluggish economy would outweigh any inflationary aspects.

As far as specific taxes go, the House Ways and Means Committee plans a close look at estate and gift levies, a subject deferred in the deliberations that led to the Tax Reform Act of 1969.

• **Revenue Sharing**—This plan to return to states and localities a fixed percentage of federal income tax collections has widespread support every place but where it's needed most—in Congress.

But it will be pressed again next year, particularly by Governors and mayors who see no other readily available new sources of income.

President Nixon asked Congress to make a relatively small start on revenue sharing this year but the proposal got nowhere. One obvious reason, Congressional opponents said,

Business Issues the New Congress Faces *continued*

was the fact the federal government was running a deficit and there was nothing to share.

Under the Nixon plan, the money would be returned to the states without strings for use as needed. A state's or community's share would be determined by how much of a tax effort it made on its own.

• **Inflation**—In view of the election returns, the President is going to be under increasing pressure from some members of Congress—as well as from sectors of the public—to start using some White House clout to curb the wage-price spiral.

Wage increases already scheduled in the construction industry over the next two years carry a long-range inflationary potential. And the fight to overcome inflation will be sorely tried next year when labor contracts in basic steel are up for renewal.

Business leaders have already warned the President that ever-spiraling wage increases are a threat to any real brake to inflation. Economists are predicting no letup to union demands for higher wages, and warn that nonunion pay catches up within months after union raises.

• **Labor**—Having failed in a move to get the federal minimum wage lifted to \$2 an hour from the present \$1.65, organized labor is expected to press in 1971 for an even higher level—perhaps \$2.25.

And, in addition to getting behind the guaranteed annual income and national health insurance, labor leaders are expected to push hard for a federal floor for unemployment compensation and to bring farm workers under federal law provisions concerning collective bargaining and union elections.

Businessmen, on the other hand, will be hoping the newly elected Congress will take another look at proposals for labor law reform, such as establishing a type of federal labor court to replace the National Labor Relations Board.

• **Welfare**—The guaranteed income plan advanced by President Nixon this year as part of his welfare "reform" plan took a beating in the Senate Finance Committee but Congress hasn't heard the last of it, by any means.

Various proposals for establishing a floor on income of families, whether there is a working member or not, are expected to surface again next year. Many will be far more extensive than the Administration plan that would have doubled welfare rolls and cost \$4 billion or more per year.

From another front, Congress will be under strong pressure to have the federal government assume the entire expense of public welfare, now running over \$12 billion a year, as a means of helping the financially strapped states and localities. The federal government's share now represents about 55 per cent of total welfare costs.

The National Governors' Conference is pushing for the change and many Congressmen are expected to join in the push.

• **Health Insurance**—This issue is rapidly turning into the *cause célèbre* of Democratic liberals in Congress. The various proposals would provide all citizens, regardless of whether they could afford to pay for their own health insurance, with a wide range of hospital, medical and dental care.

Financing would come from Social Security-type payroll taxes, with the employer bearing the brunt, and from general federal appropriations.

Estimates of annual cost range from the \$40 billion figure set by the sponsors of one bill to the \$77 billion forecast by the Nixon Administration.

While some hearings were held on the subject this year, it is expected to become the center of far more attention and controversy in 1971.

Major proposals besides those already made are expected. The Ad-

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ministration intends to suggest a basic plan that will include overhaul of the Medicaid program—in which costs have been soaring.

Sen. Scott is drafting, in consultation with experts, a plan for extensive revisions and improvements to both the Medicare and Medicaid programs. But, he adds, he'll defer to any better ideas on the subject from the White House.

Sen. Mansfield sees health insurance shaping up as "one of the most significant issues of the 1970s."

• **Pollution Controls**—Each year has been bringing proposals for ever tougher federal action in this area and 1971 will be no exception.

Financing of water pollution control programs will continue to be a torrid subject. The Administration wants the states and localities to assume 60 per cent of the cost of a $10 billion, five-year plan. They're balking.

The National League of Cities and the United States Conference of Mayors have estimated the total bill for eliminating water pollution at $35 billion.

• **Electric Power Production**—President Nixon will ask Congress for long-range planning on construction of generating plants.

The White House would set up machinery by which alternate sites for plants and transmission lines would be made public five years ahead of construction time. This would give state and regional agencies, and interested private organizations, opportunity to register their views.

Specific sites and routes for transmission lines would have to be identified within two years of construction. And approval would have to come from state, regional and federal agencies.

Federal permission now is required for construction of nuclear or hydroelectric plants but not for those fueled by coal, oil or natural gas.

• **Consumerism**—The trend here is to press for creation of new federal posts and agencies with authority in consumer affairs, then push for greater jurisdiction and greater power for those agencies.

• **Crime**—The election campaign's strong emphasis on law and order adds to the prospect that the new Congress will enact more crime legislation to fight terrorism and group violence.

Sharply increased appropriations under the Safe Streets and Crime Control Act are a distinct possibility, because support of local anticrime efforts is a chief goal of that program.

Sen. James Eastland (D.-Miss.), chairman of the Senate Judiciary Committee, assails what he terms "the nationwide war" on lawmen and says his committee will work on drafting "a legislative program to support local and state efforts to stop the killing and wounding of police officers."

• **Cities**—Cities will be pushing Congress for hundreds of millions of dollars to fund programs to ease major headaches.

Ghetto unemployment is still a grave issue. Many mayors anticipate it could become even more acute if the Viet Nam War cutback continues. Much of the expected slash in military manpower next year will involve combat troops. Thousands of these are black, with no civilian labor skills. They'll need to be trained.

Urban renewal is surfacing as a major concern again. The National League of Cities estimates there's a $3 billion gap between federal appropriations and municipal commitments for 1970 alone. And housing for those in the low income brackets is becoming an issue in the sprawling suburbs, too.

Rural areas also are expected to push Congress hard for funds. The Appalachian Regional Development program is up for renewal in 1971. This plan to spur the economy of parts of 12 states from Mississippi to New York is sure to get close scrutiny. And commissions running regional development programs in other areas will be panting for funding, too.

• **Foreign Trade**—This year's long battle over trade policy left that issue far from resolved. The widespread support that developed among Congressmen for quotas is likely to spur continuing drives for such protection.

Also remaining to be resolved is the future of the DISC plan to stimulate American exports and encourage U. S. manufacturers to establish plants for export goods in this country rather than abroad. DISCs—Domestic International Sales Corporations—would conduct export operations for parent or other companies. Earnings would not be immediately taxable, enabling DISCs to plow profits back into new facilities to further expand overseas trade.

• **Foreign Aid**—The President plans to ask the new Congress to make a major overhaul of the shrinking foreign aid program, creating new categories of economic development, military aid and humanitarian projects.

Development aid would be channeled through the World Bank. Military aid would be the Pentagon's exclusive responsibility. The third category would be contained in separate legislation.

The House Foreign Affairs Committee leadership is expected to take the stand that the World Bank is not answerable to Congress and thus should not be entrusted with jurisdiction over the funds.

The Senate Foreign Relations Committee, increasingly opposed to the military aid program, is likely to object to surrendering authority over it to the Senate Armed Services Committee.

• **Draft**—The present Selective Service law expires June 30 and the Administration plans to recommend a two-year extension, instead of the usual four, pending hoped-for conversion to an all-volunteer Army by mid-1973.

It will be a long, stormy debate, however, between those favoring immediate abolition of the draft and those arguing the all-volunteer approach cannot provide the quantity and quality of men needed to assure adequate defenses.

In the meantime, draft calls will continue to drop off rapidly as the Viet Nam War is wound down. END

Advice to a New Congressman

The ropes a Representative has to learn are of interest not only to him, but to all citizens concerned with representative government. Rep. Barber B. Conable Jr. (R.-N. Y.) discusses them here at the request of *Nation's Business*. Mr. Conable, 48, a member of the House Ways and Means Committee and the Joint Economic Committee, has been in Congress long enough to have accumulated considerable experience about its workings, but not long enough for him to have forgotten what it's like to be a new member. He has just been elected to his fourth term in the House of Representatives. His upstate New York district is one third rural, one third suburban and one third big city industrial.

BARBER B. CONABLE, JR.
NEW YORK, 37TH DISTRICT

COMMITTEES:
WAYS AND MEANS
JOINT ECONOMIC COMMITTEE

WASHINGTON OFFICE
230 CANNON OFFICE BUILDING
WASHINGTON, D.C. 20515

DISTRICT OFFICE
105 FEDERAL BUILDING
ROCHESTER, NEW YORK 14614

Congress of the United States
House of Representatives
Washington, D.C. 20515

Dear New Member:

It's over. You've won.

Behind are the 20-hour days of speeches, handshaking and endless tramping through factories, shopping centers, county courthouses and town halls; the 3 a.m. strategy sessions and the panic over all those empty seats at the rally in the school gym.

In a few short weeks, you'll be sworn in as a member of the Ninety-second Congress. There are some major decisions to be made now.

The first will involve your family. Do you uproot them and move everybody to Washington in the middle of a school year? Do you sell your house at home? Do you buy one in Washington? Can you leave your family behind and still be a successful husband and father?

You won't see as much of your family as you would like, even if you move them to Washington.

That won't be because we have a very big social life here. Although I know it is contrary to the image many people have of Congressmen—lollygagging around and entertaining big shots

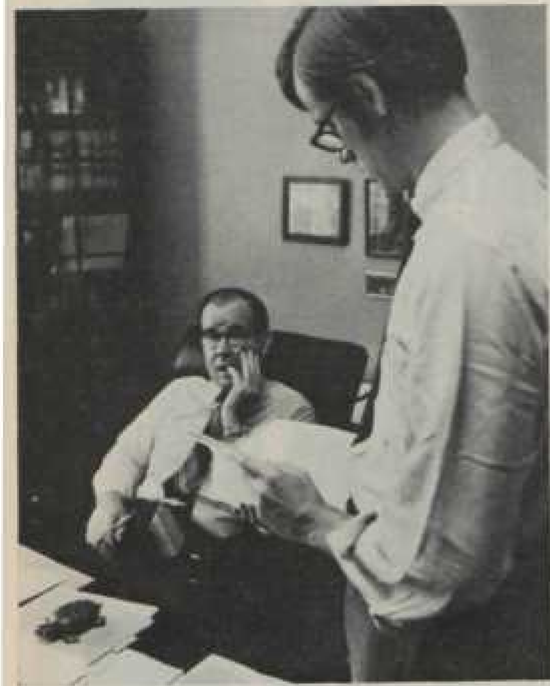

With students: Part of the job is ''explaining the necessity for balance in preserving a system.''


Off to his district: ''You will spend a lot of money on unreimbursed travel.''

With colleagues: Respect is won by contributing, not just ''going along.''


PHOTOS: WILLIAM A. GRAHAM

Hi, dad: A Washington home helps keep the family close, despite long days.



The daily mail: It's still the major link with voters.

and all that sort of thing—you really won't have time for a big social life.

Instead, you are, of course, going to do your job here the way you should. The result will be that, usually, you just will have an early breakfast with your family, and then see them late in the evening.

But if your family remains back home, there simply will be no opportunity at all for family life. No matter how often you visit your district, your weekends will be foreclosed by hectic activity.

By the time I get the lights turned on in my house when I go back home, people are lined up in the front yard looking for federal aid.

So my advice to anyone who is elected to this job is to move his family to Washington and try to preserve his family life around the edges of a very long day, rather than try to preserve it with weekends at home.

And remember, it is all very disruptive. You not only are changing your own occupation, you are putting your wife and children in an entirely different atmosphere.

Living expenses, particularly if you maintain two houses, are high. We have a very good salary, $42,500 a year, but I find I still have financial problems.

You are expected to make a lot of charitable and political contributions, and to entertain many constituents who come to see you in Washington. You find many of the things you have to do as part of your job are not covered by allowances, and they have to come out of your salary.

I'm not complaining, because I did not expect to get rich when I came to Congress. But, frankly, it does require close budgeting.

You will spend a lot of money on unreimbursed travel expense. My bill for that runs anywhere from $3,000 to $5,000 a year and my home town is only 400 miles from the capital

You get one government-paid round trip home for each month Congress is in session. But I have yet to go home less than 40 times a year.

Some of the members sell their houses back home and rent an apartment or other place there to qualify them as residents of their districts.

Psychologically, it is very bad to do that because your neighbors think you have gone for good. They do not have the identification with you that they have if they can say, "That is the Conable house over there."

Once your decisions on relocating are made, you begin to look at what is involved in your new job.

I get to my office about 7:30 a.m. and start the day reading the newspapers and then my mail. Any Congressman who fails to read his mail does so at his peril. The mail is still the major avenue of communication between the Congressman and his constituents.

A lot of it is not terribly exciting but I get inspiration from some of the thoughtful letters from citizens puzzling about their relationship with their government.

The "myth of power"

Along this same line, you will find out early in your term that the popular concept of your job is far different from what it's really like, that there exists what I call "the myth of power."

Many people believe that a Congressman is particularly important in American government, since he represents a half-million people.

So they think you have the power to do anything; you will get many, many requests for help. As for the subjects they cover—well, you name it and I've heard about it.

There was the lady who wanted me to get a bat out of her garage, and the family who wanted me to shut up their neighbor's dog when it barked too much, and the man who wanted me to have a guard rail put up in front of his home.

And there are the people who want you to get federal agencies like the Internal Revenue Service to reverse decisions, or who ask you to get their boys out of the Army.

It isn't only Washington they're concerned with when they write about government. Lots of people simply do not distinguish among the levels of government. If they are having a problem with Town Hall, they write their Congressman. Of course you can't tell them you can't help, so you write back that you will contact the appropriate official at Town Hall.

Congressmen always have a dilemma about difficult requests. If you say you can't help, the typical constituent interprets that to mean "I don't want to help." If you say "I'll try," and fail, it means you are a lousy Congressman.

If you say "I will help" and by some quirk you find this person has been badly used and you can help, it confirms to him that you really do have power; it perpetuates the myth. The next person won't believe you don't have the power, although his circumstances—and your luck—may be entirely different when you try to handle his problem.

People simply do not know how to go about dealing with the massive federal establishment, and a Congressman has access to information not readily available to the average citizen. So he can help people by bringing them within the rules. He cannot change the rules. With his colleagues, he can change the basic law of the land, but he cannot run the Army.

But before he can begin to deal with the requests or any other business, one big job the new Congressman faces is recruiting a staff. In the new Congress, most members will receive a basic staff allowance of $133,000 and can have as many as 12 employees.

The Congressman fixes the sal-

aries, and members of his staff serve at his will, because the staff is a very personal group that has to be loyal to him and completely within his control.

Practically every Congressman has an office back home, but there is nothing that says you have to. You are allowed $300 per quarter for a home district office and most members have at least one staff member there.

Then, there are broad considerations in addition to the matters I've mentioned.

The new Congressman has just come through a campaign in which he has stood alone on the pinnacle issuing pronunciamentos about how he will affect the course of national and international events.

The first thing he goes through in Washington is a period of disillusionment about his ability to turn around large government policies instantly.

He finds he is one of 435 Congressmen, many of them with fixed attitudes and long records of intimate association with the very issues he has been dealing with in his campaign.

This is an unhappy time for a young man full of the fervor of his ideals—not because there is a lack of ideals here, but simply because he finds 434 other members feel equally as strongly about ideals that may not be the same as his. All of a sudden he is awash in a sea of conflicting views.

So now he has to begin at the beginning to take the initiatives expected in a democratic government, to acquire some understanding of where the springs of power are and where the avenues of communication flow.

How to get along

A new member finds out that there is an awful lot to know about Congress and that experience is important in it. This human institution has its roots in the past and has necessarily developed rules.

First is the matter of committee assignments. The new member is going to have to accept the fact that he is somebody the members do not know very well and that they are going to have to deal with him over a period of time before they understand about his judgment. So you will be assigned, as a new member, to less important jobs until you have earned your colleagues' confidence.

But that is inevitable in joining any large organization with well-established traditions.

There is an old saw in which new members of Congress are told that "if you want to get along, you go along," but I don't think that's necessarily true.

In this group, as in other groups, there is a good deal of respect for creativity and ability. There is a good deal of respect for judgment, too.

If you are making a substantial input into the deliberations of your party, and the institution itself, chances are you will be a great deal more respected than if you just keep your head down, do exactly what you're told and be, in effect, just a warm body to be counted.

You will learn, though, that you cannot be a complete individualist here. And the guy who abrasively tries to confound and downgrade his colleagues is going to be in trouble. That would be true in any other human institution, too.

If you're coming here from a state legislature, you're going to be surprised at how little direct guidance you will be given in comparison with what you were used to in a cohesive state political group.

The newcomer also is likely to be surprised at how little political party pressure is put on him and how much he's on his own, with his principal accountability to the people of his district only.

Some members never participate fully because they're waiting for others to take the initiatives. But the other members assume a new arrival has the qualities he needs. Nobody holds your hand and, because districts vary so much, you can't just follow the other guy's lead safely.

You will have heard a great deal of comment before coming to Congress about the committee system, much of it critical.

There is a great difference in committees and in the leadership of committees. If you have a wise leader, you will not be disillusioned about the committee process. It is a necessary part of a group as large and as diverse as ours. You must have some specialization, some fairly well organized structure for making decisions.

The committee system works, though I have felt it could be improved.

If you are a businessman who is new to Congress, you'll find you have to consider far more elements in reaching decisions than you did in the business world.

But a good businessman is likely to be a good Representative, just as is a good teacher or a good lawyer, because he is not likely to rely on a pat formula. Good judgment is more than likely to have been an important ingredient in his business success.

Most successful businessmen understand the issues of government and won't be surprised when they have to consider, as members of Congress, factors that might not enter into the job of changing a loss into a profit.

Another consideration for the new Congressman is what is best described as pitfalls to avoid. Here are some of them, along with comments based on my own experience:

• **Premature Commitments:** You will find yourself being constantly pushed to take a position on an issue before you thoroughly understand it. If you try to look at both sides, you'll be called a weaseling, mealy mouthed politician.

People want a "Yes" or "No" answer right off the bat. They don't realize the only thing immutable about a piece of legislation is its label, and all the fine print can be changed 180 degrees from the time it is introduced to the final vote.

This is a very real problem—the guy who comes here absolutely sold on an issue and finds he was all wrong. None of our issues are simple, although they often appear simple the way the press explains them.

It's bad to welsh on a premature commitment—but it's also bad to vote against your better judgment because of one.

• **The Ratings Game:** People here are always waiting to use somebody else's yardstick on you to determine where you are going to take a liberal or conservative position on a given issue.

Lots of issues do not have a liberal

Advice to a New Congressman *continued*

or a conservative side and yet, because a conservative advocates an issue strongly, it is branded a conservative position.

We are all rated constantly by one group or another. You just have to go ahead and do what you think is right and to heck with whether somebody else is going to judge you as not conforming to their idea of the proper legislative pattern.

• **Overinvolvement:** You will be foolish to get too involved with people who have an ax to grind. Of course, the special interests in your district—a company with a lot of employees or a labor union with a lot of members—are important to you just as are the general interests.

But one way to get in trouble is to get too closely involved with people who have a personal angle on legislation.

And remember, there are good lobbyists and bad lobbyists. A good one tells you the truth. He will say, "This is what the other side says, and this is what I say." If he is a bad lobbyist he will try to get your vote in a way that will ruin all his future relationships with you.

• **Losing Perspective:** A young Congressman may get 600 letters urging him to take a certain position and conclude that people are really yelling for him to do just that. But you have to remember there are 499,400 other people back home; those 600 letters may represent a special interest campaign.

You cannot reduce representation to a formula, and you cannot base your votes on polls of your constituents.

I send out a questionnaire but the questions need to be greatly simplified. I have to use judgment in interpreting answers.

The questionnaire is a valuable tool but it would be very foolish to rely on it to the exclusion of my personal judgment, the conversations and communications I have with my constituents and my appraisal of how a particular issue conforms to the national interest.

I am not by any means saying that a Representative should substitute his personal judgment for the desires of his constituents, but only that it requires a great deal of personal judgment to figure out what the majority views of his constituents are, problems of communication being what they are.

In the long run, if you are not voting the way the majority of the people in your district want you to, representative government is not working, and they not only have the right, but the duty to replace you.

• **Insulation:** You will be physically separated from your constituents, off in the distant seat of government on the Potomac. Much of your talking will be to other members of Congress; you will find yourself insulated by your work.

It is awfully important to go back home, to read your mail, to read the newspapers your constituents are reading. A new Congressman comes into a very special environment and, unless he realizes that, he can find himself cut off from his constituency in a way that's dangerous to effective representation.

As a final word, and perhaps another pitfall is involved here, the new members will be coming to Congress at a time of great social upheaval in our country, and there may be a temptation to act precipitously.

These are tough times for moderate people who are willing to draw on the advice of all sectors of society.

But a Representative worth his salt has the responsibility of trying to maintain a balance and of explaining the necessity for balance in preserving a system that is rational and solves problems without too much tearing of the social fabric.

You may be surprised by the extent to which members of Congress themselves are now reflecting the disquiet of many American people about their governmental institutions. I mean the genuinely concerned, thinking people who want to improve our system, not those who want to tear it down.

Many people complain that Congress is shut off from the problems of the day, and unresponsive to them. But there are a lot of good people here who are struggling with this issue of popular estrangement from government. They know that you cannot really have a functioning democracy unless people have faith in their government institutions. END

Higher Taxes at the State Level?

Cries for more revenue will resound when legislatures meet in '71

When state legislatures begin their 1971 sessions, businessmen generally can expect strong drives for higher taxes and a bigger government role in consumerism and pollution control.

They also can look for organized labor to push for higher minimum wage rates and boosts in unemployment and workmen's compensation benefits.

This appraisal of what's ahead stems from a NATION'S BUSINESS survey of state legislative leaders and veteran business analysts of state issues. All sections of the country were represented.

A note of growing worry over a lag in revenues as states' services burgeon was echoed repeatedly.

Gov. Warren E. Hearnes of Missouri, new chairman of the Governors' Conference, said all Governors are aware that state difficulties hinge on "the basic issue of financial resources."

Demands for spending which would outstrip normal revenue growth are rising as never before, he said.

As a result, Gov. Hearnes continued, "before effective solutions to current problems can be implemented," most states must try to resolve the question of whether they will have the necessary revenue.

The Governor predicted that "pressure" for sharing of tax money "will continue in two directions—with the states seeking it from the federal government and the cities seeking it from the states."

There was a trace of fatalism in the reply of Hugh M. Burns, who has long been prominent in the California Senate, to a question asking the major issues in his state next year. "Taxes," he said. "What else?"

Solomon Blatt, speaker of the South Carolina House of Representatives, gave an even more pithy reply to the same question: "Money."

Common denominators

Nearly 90 per cent of both legislative leaders and businessmen responded with a firm "Yes" to a question asking whether they expected tax boost proposals next year.

Of the remaining 10 per cent, half reported that such bills are possible or probable.

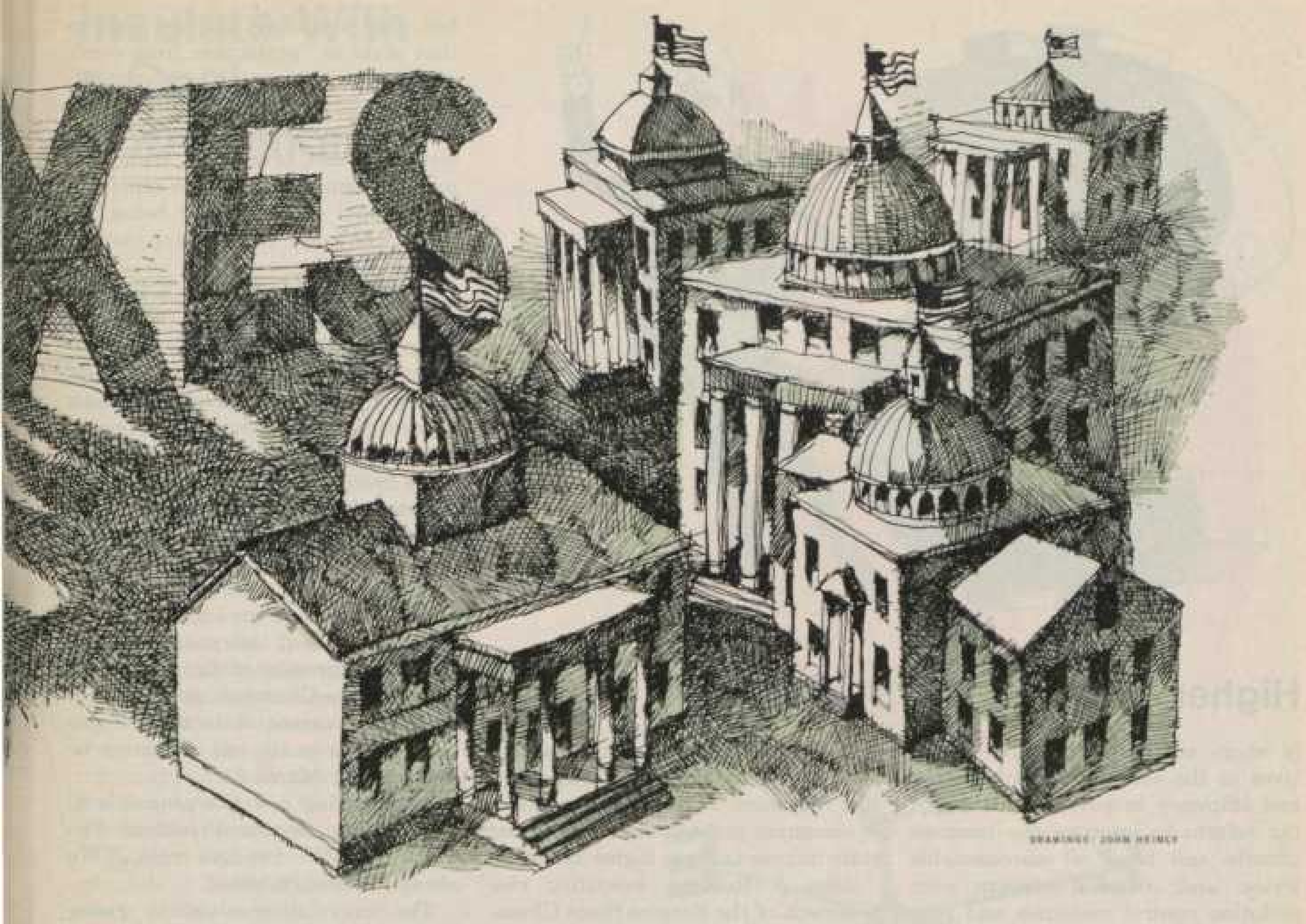
The reply of Howard F. McKissick Jr., speaker of the Nevada Assembly, was a rare one, indeed: "We will have no new or increased taxes in 1971-73, thanks to a healthy surplus of $24 million."

Most of the legislative and business leaders wrote of severe financial pressures forcing their states to seek new or higher taxes. They cited education and welfare, usually listing them jointly, as the chief pressures on state budgets.

Utah's Senate President Haven J. Barlow gave a typical answer when he said his state's major issues of 1971 will be "where to get the revenue to pay our increasing obligations, such as public schools, higher education and welfare."

The survey was conducted among members of the National Conference of State Legislative Leaders and among key State Chamber of Commerce officials who keep a close eye on governmental activities.

Both groups were in general agreement on the prospects for new tax legislation, on the unrelenting spending pressures on state governments,



and on organized labor's expected demands.

Another common denominator was their outlook on what steps the federal government could take to help the states.

Most popular choice was revenue sharing, followed closely by proposals for giving the states more freedom in determining how they will spend federal aid in specific categories.

The best way for the federal government to help, said Otis R. Bowen, speaker of the Indiana House, is through "block grants without strings attached."

What's fair on welfare

Half the legislative leaders said the federal government should take over full financing of welfare.

Dr. Bowen's recommendation: "Settle the welfare [responsibility] question. Have the federal government assume it all or turn it back to the states with the states retaining that portion of their federal tax money now going into welfare. Indiana residents send, I believe, $1.84 to the federal government for every $1 they get back. We can't afford so much federal aid!"

John Warren Cooke, speaker of the Virginia House of Delegates, said the most severe budget pressure in his state resulted from "inflation which affects costs for public school and college education, mental health and the new or enlarged services which are being sought from government."

The federal government could help, he said, through "direct revenue sharing, unrestricted block grants, or a reduction in new federal programs which require matching funds from the state."

Anticipating tax increase legislation in New Jersey next year, Frank X. McDermott, temporary State Senate president, traced the need for more revenues to "state aid to education at all levels, aid to municipalities, and welfare programs."

In Maryland, House of Delegates Speaker Thomas Hunter Lowe said, action in the legislature will include efforts to "stimulate pollution abatement by industry."

A question addressed only to the Chamber executives asked them to characterize their respective legislatures' attitudes toward the business community. Over 75 per cent gave the legislatures grades ranging from fair to excellent.

Loran C. Vanderlip, director of the Tax Department, California State Chamber of Commerce, said business-legislative relations in his state are, "generally speaking, excellent." He added:

"Few anti-business bills reach the Governor's desk."

Room for concern

Some business commentators, looking ahead, saw room for concern in legislative attitudes. Ronald S. Spencer Jr., executive vice president of the Florida State Chamber of Commerce, wrote:

"There is a general conservative viewpoint throughout the legislature but there is also a definite anti-business trend that was apparent during the 1970 session. We anticipate a stronger movement in this direction."

The survey showed how businessmen throughout the country general-

Higher Taxes at the State Level? *continued*

ly share common legislative objectives in the areas of more economy and efficiency in government and of tax reform to improve the business climate and head off unreasonable levies; and common concern over pollution control measures and consumer legislation that could penalize legitimate business.

Glenn E. Scott, executive vice president of the Missouri State Chamber of Commerce, listed legislative goals echoed by his counterparts in many other states: "Fair labor-management legislation; fair and balanced revenue measures; reasonable and effective environmental laws."

Kenneth W. Haagensen, executive vice president, Wisconsin State Chamber of Commerce, said business community goals in Wisconsin are to "hold the line on taxes and work against repressive legislation."

In New York, a long-standing business objective is repeal of a law making strikers eligible for unemployment compensation, financed solely by the employer, after a six-week waiting period.

New York State businessmen expect big pushes by labor in these fields during the 1971 legislature session:

Welfare and education increases; broadened health care programs; higher safety requirements; extension of coverage and shorter waiting periods in workmen's compensation and unemployment insurance; further minimum wage increases; broader consumer protection and increased state income taxes in higher brackets.

John J. Roberts, executive vice president of the Empire State Chamber of Commerce, said passage of such a sweeping set of bills "would entail further increased taxes, place New York employers at a further competitive economic disadvantage and further discourage business from relocating or expanding in New York State."

In Montana, businessmen anticipate legislation for increased corporate and individual income taxes, imposition of a gross receipts tax and other new or higher levies.

Of the potential effect on business, Del H. Siewert, executive vice president, Montana Chamber of Commerce, wrote: "It sure wouldn't help, as we are already a high tax state outside the mainstream (geographic and economic) of the national economy."

Pollution and politics

In Michigan, Harry R. Hall, president of the State Chamber, saw signs that consumerism and pollution control are being turned into political issues.

Paul C. Emerson, executive vice president of the Maine State Chamber, said a leading business goal in that state is "protection from overzealous environmental legislative efforts."

Anticipated proposals on pollution control would bring new costs and inhibit business activity, he reported. "Municipal polluters are being ignored," he said. "It's all being blamed on industry."

In what appears to be a marked deviation from business goals in other states, the Pennsylvania Chamber of Commerce listed imposition of a personal income tax as the single legislative act it would most prefer. The tax will be proposed in the Keystone State's legislature next year.

Pennsylvania businesses, in the absence of such a tax, have been particularly hard hit by demands for new revenues.

"Business taxes were increased to a dangerous extent last year," Donald R. Gillis, director of tax legislation for the State Chamber, said. He also noted the current state budget was $300 million in the red and must be balanced by March 31.

Anticipating new tax proposals in New York, Senate President Pro Tem Earl W. Brydges said, "We always have such bills."

The only alternatives to rising taxes, he said, are "a change in the public expectations in such fields as universal higher education, or federal revenue sharing or federal take-over of welfare expenses."

As businessmen awaited their states' legislative sessions with varying degrees of anticipation—or trepidation—Nevada's Speaker McKissick offered a formula for a legislature that might appeal to many:

"Get into and out of session as fast as possible, pass some housekeeping bills . . . spend our money wisely, impose no new taxes and go home."

But it won't be that easy in most states. The degree to which they share similar problems is indicated in the report of a legislative leader who said the major issues in his state's 1971 legislature session will be "housing, pollution control, crime control, rising costs of welfare programs, traffic congestion."

Sound like a plaint from a typical state up against the crisis of crumbling big cities?

That grim report is from the sun-drenched islands of the country's newest state, Hawaii. END

Insulate With a Cool $50 Million?

"I put $50 million into this place," the owner of a modest home might someday boast to visitors with complete honesty.

If that day comes about, it will be the result of a U. S. Treasury Department effort to find a new way of getting rid of the $9 billion in worn currency retired annually.

From 1942 until this year, Department regulations required that the money be burned. Incinerators in 35 cities have been doing the job.

But, in this environment-conscious age, officials of many of the cities complained the burning was contributing to air pollution. Secretary of the Treasury David M. Kennedy rescinded the burning requirement.

That led to a search for substitute methods of destroying the worn currency, which each year amounts to two billion bills weighing 2,500 tons.

It was decided that any new process must do little or no polluting, must reduce the currency to an unrecognizable state and must permit recycling of the end product.

The Department settled on "pulverization," in which the currency is sliced by whirling blades into "an unreconstructible mass."

Then what do you do with the end product? Well, the Department says, one possibility is using it for insulation material in construction.

"It may be feasible that future homes could be padded with billions of dollars," the Department says.

The incineration process was itself a substitute for the "wet maceration" method used from 1874 to 1942. In that, money was sliced up by powerful jets of water. The resulting pulp was sold to contractors and often wound up as souvenir busts, medallions and relief maps.

Eventually, the market for the pulp declined to the point where it was offered free to anyone who would haul it away. But there were no takers.

END

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How Businessmen Pitched in to Save a City

Newark, N. J., was critically ill; its new mayor's prescription was a strong dose of business energy and expertise

How does a new mayor begin administering a city afflicted by the most virulent forms of urban cancer? Consider the woes facing Newark, N. J., and Kenneth A. Gibson, elected last June in a runoff election:

- Residential areas that are at least one third slums.
- A shrinking job market—and rising migration of unskilled workers from rural areas.
- Deeply entrenched organized crime.
- City Hall corruption so widespread that four men, including Mr. Gibson's predecessor as mayor, have been convicted of graft offenses in federal court this year, and others await trial.
- City expenses running more than 25 per cent above income.
- Rapidly deteriorating city services, from police through garbage collection.
- An uneasy polarization of the races, a legacy of the 1967 riots kept alive by small but vocal groups of white and black militants.

Mr. Gibson, first black mayor of a major Northeastern city, began by turning to the business community for help.

He asked for the loan of experienced executives to manage city

Prudential's Robert W. Smith, shown here with Mayor Kenneth A. Gibson, says, "The only thing in my life that prepared me for three months in City Hall was my 35 missions over Germany."

Newark is active in redevelopment, but its slums are so large that its leaders say massive aid is needed.

operations for 90 days. Leading Newark businesses responded by sending three top vice presidents and making available company specialists as needed.

The mayor's plan was to gain some breathing room for establishing reform policies, selecting permanent city administrators and seeking new revenue. But he got much more than the temporary relief from day-to-day operating problems that he wanted.

The Newark venture in public-private cooperation established rather conclusively that local governments do not have to be wasteful and that it is realistic to shoot at the highest goals in managing a city.

Robert W. Smith, a vice president of The Prudential Insurance Co. of America, and leader of the group working with Mayor Gibson, says: "After three months on the job, I'm convinced it is possible to operate Newark with just about the same efficiency as any modern business."

Such optimism is a complete reversal of the mood in Newark when Kenneth Gibson defeated the incumbent, Hugh J. Addonizio, in special balloting which followed an indecisive regular election in May (no candidate in a field of seven had a majority).

Getting things going

Many months of federal grand jury investigations, and indictments of officials, had nearly paralyzed the city government. Political bitterness had become so intense that an orderly transition between administrations was not possible.

Most key appointive officials of the Addonizio government simply left their desks, without speaking to their successors.

In this atmosphere, Mayor Gibson approached Gustave E. Wiedenmayer, chairman and chief executive officer of the National Newark & Essex Bank, and Donald S. MacNaughton, president of Prudential.

Working with other business leaders, they gathered a team to assist the mayor at no expense to the city. Along with Bob Smith, the original team members were: Frank Puleo, senior vice president of the National Newark & Essex; Edward J. Farley, second vice president of the Fidelity Union Trust Co; and Herbert W. Miller Jr., assistant manager, internal auditing, Public Service Electric & Gas Co.

On the mayor's inauguration day, July 1, Bob Smith was sworn in as Newark's business administrator. For the time being, he was the city's second ranking officer and directly responsible for the performance of all departments.

The mayor's instructions to Mr. Smith: "You run the city, and I'll take care of politics and policy."

Originally, the plan was to conduct an orderly systems analysis of the entire government operation. But, Mr. Smith says, "That plan was discarded the first day. To put it mildly, the situation in City Hall was chaotic, almost unbelievable.

"There were few well documented systems or procedures, and there was almost a complete lack of middle management for following through on orders. It was extremely difficult to get anything done.

"So we had to shift gears, and start putting out fires. Frank Puleo and Herb Miller went into the Finance Department and Ed Farley became sort of a roving troubleshooter.

"None of them had any statutory authority and they all acted as advisers to the city's department heads. In addition, they served as my liaison, my eyes and ears, so that we could report the actual condition of the government to the mayor, along with changes that he might order to solve major problems."

Minority in the majority

To put Newark's problems in perspective, the city's employees (there are approximately 6,000, exclusive of those under the Board of Education) are providing services for some 400,000 people crowded into a 24 square mile crescent along the Passaic River.

These residents are 55 per cent black, 10 per cent Puerto Rican and 35 per cent white.

The work-day population is considerably bigger; most whites employed in Newark, including the businessmen who assisted the mayor, live in surrounding communities and con-

How Businessmen Pitched in to Save a City *continued*

sequently have no vote in city elections.

To a large degree, Newark has become a training area, a stepping-off point for blacks and Puerto Ricans who migrate to the Northeast. As soon as they get jobs and have the means, many of them also move into the surrounding communities. Most businessmen attribute the severity of the city's economic problems to this steady traffic.

Mayor Gibson, whose willingness to tackle tough jobs is attested to by the eight years he spent in night school to earn his civil engineering degree, says, "If we are to make any progress in solving our problems, the first step is to get the city government running efficiently.

"To do that we have to look at the government as dispassionately and as practically as possible. In reality, it is the equivalent of a $160 million corporation which deals in services.

"Last July, the government was in a mess, and I did the logical thing by calling in people who are expert in running large service corporations. Businesses in Newark had the enlightened self-interest to help out; it is to their credit."

The mayor's business helpers' biggest problem at first, according to Mr. Smith, "was with the Public Works Department, the largest in the government. Many city services were operating with very poor utilization of people and equipment. Some services had almost stopped.

"The city's contract for towing automobiles, for example, expired on inauguration day. The low bidder for a new contract was rejected during an on-site inspection, and I approved a temporary oral contract to secure the services of another firm.

"However, this stirred up political problems and I was restrained by court order from re-advertising for new bids. Eventually, this was settled, but in the meantime we got the National Guard to pick up abandoned cars—which are a significant problem—from the city streets."

Proper use of property

Public Works was the first stop for Ed Farley in his troubleshooting role. He says, "We had to establish accountability for the use of city property.

"More than 500 people, for example, were drawing gasoline from the city pump. We informed the department heads of this and they cut the list down to about 130, the only ones who actually need to drive around on city business."

Garbage collection was another issue involving complaints to Public Works. Mr. Farley reports that some days more than 20 of the city's fleet of 60 garbage trucks were inoperative.

"The trucks are old and there was no pattern to their breakdown," he says. "But there also was no direction in the city garage to get repairs made in a hurry.

"Sometimes parts were lacking due to theft. Road servicing for garbage trucks had stopped because the tire and battery truck had broken down and had not been repaired.

"To get garbage collection going at a reasonable rate, it was necessary for Sam Friscia, the Director of Public Works, and me to spend many hours down in the garage, talking to the mechanics, finding out their hold-ups, and then acting as expediters to get them what they needed."

Able civil servants

But, Mr. Farley emphasizes, "In all of this talk of trouble, there is one bright spot that should not be forgotten. The City of Newark has a large number of able and dedicated people on its payroll.

"The mechanics in the garage worked extremely hard to get the garbage trucks rolling once they had a chance, and they will continue to work hard as long as there is a sensible management system for getting the work done."

Mr. Farley believes there will be sensible management under Mr. Friscia, a veteran city employee who held a chief clerk's position prior to the Gibson administration. Mr. Gibson asked him to stay on temporarily as director of public works, Mr. Farley says, "and he proved to be so knowledgeable and competent that the mayor made the assignment permanent."

The businessmen generally won the acceptance of city employees.

"At first some of them stood back and were suspicious," Mr. Smith says,

Director of Public Works Samuel A. Friscia (right) and Edward J. Farley, trouble shooting member of the business group assisting Mayor Gibson, investigate garbage truck mechanical problems.

"but when they realized our only intention was to work out problems and improve the system, they pitched in and helped in every way they could. We parted friends at the end of three months."

Nobody knows the total cost of the business effort. The businessmen say that during most of the period they worked longer and harder than they normally do—"There wasn't any alternative," one comments. And they often called in temporary assistance from their companies in the form of secretaries and clerical workers.

According to one businessman, "It would have been difficult for a consulting firm to come in and do a comparable job in a comparable time. If you had to make an estimate, the cost would be well up in six figures."

A crucial problem in Public Works and perhaps in the entire city government was the absence of a full-time, fully-qualified professional engineer. Newark had been without one for several years. Sewers, streets and city structures were designed by consultants and erected by contractors without a city engineer checking to see that the work was done properly and reasonably.

Ed Farley reports that, "Neither Sam Friscia nor I was qualified for this job, so Bob Smith went to New Jersey Bell Telephone and got a 90-day loan of the services of one of their staff engineers, Edward G. Hoch, who was named the city's acting chief engineer.

"Ted Hoch is completely conversant with the management of multi-million-dollar construction contracts, and is absolutely outstanding in his field. He reviewed every bit of city construction from paper work to the actual work sites and he demonstrated how to plug the biggest leaks in the city treasury."

Paper work and policemen

To help with the backlogged paper work, help also was sought from Prudential. C. Robert Wieselthier, director of the company's policyholder service, was brought in as Mr. Smith's assistant.

Over in the Finance Department, the pattern was repeated. Frank Puleo and Herb Miller quickly went beyond the adviser role and began assisting with the job. They even helped man the phones in a campaign to collect $48,000 in unpaid water bills which were uncovered in audit.

"The city's IBM 360 computer was being used at about 30 per cent of the efficiency that business expects from its hardware," Mr. Smith says. "Documentation of water accounts and accounts payable was so incomplete, a proper audit was impossible."

To give the city government some options about long-term improvement of financial management, two firms, IBM and Boeing, have been asked to estimate the cost of a complete reprograming.

Troubleshooting took Mr. Farley into the Police Department. The man in charge there, Director of Police John L. Redden, is a 30-year veteran of the Newark force who had been kept in a minor post by the previous administration.

Director Redden was one of Mayor Gibson's earliest and most important appointments. He completely reorganized the force, with the objectives of breaking up factionalism and firmly

Mayor Gibson, and businessmen who helped launch his administration. From the left: Frank Puleo, Herbert W. Miller Jr., C. Robert Wieselthier, the Mayor, Bob Smith, Edward G. Hoch and Ed Farley.

How Businessmen Pitched in to Save a City *continued*

establishing lines of authority, such as making sergeants and lieutenants responsible for their subordinates' actions.

"Setting up administrative control procedures," Ed Farley says, "was my first job."

It has been reported that patrol cars regularly were stripped of tires, batteries, and even two-way radios—while in the city garage.

"I'm not at liberty to discuss all the work we did for John Redden," Mr. Farley says, "but he's doing some extremely interesting things with the police. He is another outstanding public official."

Business has provided other key assistance during the embryonic stage of Mayor Gibson's administration. An executive talent search was conducted to aid the mayor in choosing a permanent business administrator to relieve Bob Smith. Some 200 men were screened, and the mayor selected Cornelius Bodine, a professional city manager from Sioux City, Iowa.

Also, the Greater Newark Chamber of Commerce contracted for a $100,000 cost-effectiveness study of the city government by Touche Ross & Co. It will provide the mayor and Mr. Bodine with detailed information they need to continue the government's reorganization.

Business in Newark is more optimistic than it has been in a decade.

Kenneth Gibson's initial approach to the mayor's job is partially responsible. Federal government action against organized crime and the conviction of top Mafia leaders in New Jersey play another part. And there is the performance of the business community itself.

Renaissance in New Jersey

Newark's reputation as a dying city finally is being dispelled. "The facts about the city's recent growth and progress got lost in all the bad news about the 1967 riots and crime," says Charles G. Hall, president of the Greater Newark Chamber.

Actually, Newark has managed one of the most impressive rebuilding programs in the nation.

Investment in new construction since 1957 totals about $1 billion, including work in progress that is due for completion by 1972. One project is expansion of the city's port facilities so they will handle about 75 per cent of Port of New York traffic. Another is expansion of Newark's airport, to give it a major new passenger terminal and the world's second largest air cargo facility.

Some $150 million is being spent on enlargement and improvement of hospitals. The colleges and universities within the city are being expanded, with enrollment slated to grow from 22,500 in 1970 to 45,000 by 1975.

There are new high-rise office complexes. The city remains the number two insurance center in the country.

And despite its relatively small size, Newark ranks fourth among the nation's cities in construction of urban redevelopment housing.

No one, however, is expecting miracles in the process of reviving the city. It still has a long way to go on jobs, race relations, crime. Though the gap between city income and spending has narrowed, the mayor feels he must seek new revenue sources—including a payroll tax which would affect Newark workers who live outside the city as well as those who live in it.

In the words of one businessman, "Investment in Newark actually has been very heavy, but half the city still is about to fall down. Newark's plight is far beyond the resources of the city and its businesses."

Kenneth Gibson is making no predictions about the amount of success that he and other mayors will have in getting more state and federal aid for cities.

But he is convinced that cooperation between business and urban government, Newark-style, is one way to prove to Washington that investment in the cities can have a big payoff.

As for more such cooperation, Mr. Gibson says, "There shouldn't be any need to ask business to come back in and help run the city government. But there are plenty of ways in which the business community's expertise can aid the city. And I intend to ask for that expertise." END

tary what to do if he wasn't there on payday. She thought she was doing him a favor."

"Well," laughed Cilla. "What about a boss who's a squirrel? I mean, he keeps all sorts of little odds and ends—memos, notes, clippings, pamphlets—tucked away in his desk. He never knows where. And then he calls you at five minutes to five from out of town and he just has to have 'that thing Sam sent me.'"

"How about mind reader Matt?" asked Vicki. "He never tells me where he's going or what he's going to do and then a week later expects me to know where he's been, what he said and whom he said it to."

Helping the boss

As the growth of the 27,000 member National Secretaries Association over the last 25 years has shown, the executive secretary is a serious-minded, extremely talented businesswoman who each day makes dozens of decisions on her own and makes her boss the better for it by sparing him much routine, time-consuming detail.

"That's another pet peeve," said LaVerne. "A lot of bosses expect their secretaries to make decisions, but they never really give them authority to do it. If they don't, they're just not taking full advantage of their secretaries' abilities."

"It's the younger executives who are scared of delegating any kind of authority," said Ruth.

"If junior executives would realize the secretary is their best friend,

Is he back? He didn't even say he was stepping out of the office, let alone where he was going or when he'd return.

Do You Drive Your Secretary Up the Wall? *continued*

The "squirrel" can frazzle the nerves. "All sorts of odds and ends in his desk and he calls from out of town and just has to have 'that thing Sam sent me.'"

they'd get a lot more done. A lot of them criticize professional secretaries for overstepping their bounds. But in most instances, she does exactly what her boss wants her to do—whether he spells it out or not."

The theory that anyone can be an executive secretary raises these gals' blood pressure. Most can point to college backgrounds and salaries of $8,000 to $12,000 a year. Some make close to $20,000.

To acquire the coveted status of Certified Professional Secretary requires successfully completing a six-part examination over a full two-day period, covering such topics as financial analysis, business mathematics, environmental relationships, economics of management, office procedures, communications and decision making.

Secretaries attending their annual association meeting were nearly unanimous on some points that bug them. For instance:

• The boss decides to take a couple of days off, but he doesn't tell anyone.

• He leaves the office without saying where he can be reached if something important comes up—or when he'll be back.

• He expects the secretary to do his personal shopping—buying a gift the wife will really appreciate, for example, and getting sore if she doesn't like it.

• He's always in meetings and never available to clear up routine matters.

The No. 1 problem

The touchiest part of a secretary's job, almost all agreed, involves the telephone.

"No executive can possibly speak to everyone who calls," said Carol. "The secretary has to be a diplomat to find out just who is calling and what he wants. She has to make the caller feel important, yet not commit the boss.

"And it would sure help if the boss would let the secretary know there are certain people to whom he is always available.

"I know a girl who really got blessed out because she wouldn't put through a man who said: 'Just tell him old Charley's calling.' It turned out old Charley was his wife's rich uncle."

"And don't forget a list of people a boss never wants to talk to," added Mary. "That'll save some headaches, too!"

There's not as much concern over proper office dress among executive secretaries as some might believe.

"We're expected to be fashionable, but not flashy," said Elizabeth. "To blend into the office surroundings. Most of us know enough to save the dangling earrings and extreme hairdos for our social engagements."

Getting along with his wife

How to handle the boss's wife is not the delicate problem it's sometimes painted, most secretaries said.

"That's because the wife sets the relations with a secretary," explained Lucille. "Some wives make it a point to get acquainted personally with their husband's secretary, others don't. Some like to chat a bit with her when they're calling him on the telephone, but it's really up to the wife."

Office romance is another sphere

Sometimes, Mr. Executive has his secretary buy a gift he'll take to his wife—and then is peeved if it isn't just what Mrs. Executive wanted.

When secretaries compare notes about bosses, they may well complain of the man "who hasn't the nerve to do an unpleasant chore himself and pushes it off" on his Girl Friday.

that executive secretaries generally feel is largely fiction.

"Believe me," reported Joyce, "it's mostly only in the movies and in romance magazines that his Girl Friday marries the boss.

"What does happen, of course, is that secretaries do job hop. And they just might be influenced in where they go to work if the office has a lot of eligible bachelors—or if the business gives them an opportunity to meet a lot of them."

If, as a boss, you've felt badly about asking your secretary to work overtime, you may have been worrying needlessly.

"Almost every secretary I know," said Betty, "doesn't mind staying late occasionally. If the work is important and has to be done, that's the main thing. We're part of the team and the aim is to do the best job possible when it has to be done."

But if your secretary does do a good job, you ought to tell her now and then that you appreciate it. "It means a great deal to a professional secretary when the boss compliments her," said Anne. "It makes her feel like a real part of the business, not an ornament."

What do most secretaries think is needed to be a really effective aide to the boss?

"A sense of humor sure helps," said Margaret, "but the biggest asset is to always keep one jump ahead. Anticipate the boss's needs." END

LESSONS OF LEADERSHIP

PART LXVII

Maurice Robinson of Scholastic Magazines, Inc.

Relevance for one younger generation after another

Chances are Maurice R. Robinson is influencing your children—just as he may once have influenced you.

At 75, "Robbie" Robinson is celebrating his fiftieth year as founder and head of Scholastic Magazines, Inc. It's an energetic firm which publishes 35 magazines and newspapers including *Junior Scholastic* and *Senior Scholastic*, runs Scholastic Book Services and provides assorted other services for students—preschool to college—and for teachers.

The company, which employs 1,500, had an increase of more than 15 per cent in gross and net figures the past year with sales reaching over $53 million. It acquired three new periodicals and announced an agreement with the National Gallery of Art to cosponsor a publishing program in art appreciation and cultural enrichment for junior and senior highs.

"In a day when many are bewildered by the effort to focus business competence on educational problems," says John H. Fischer, president of Columbia University's Teachers College, "Robbie stands out as one who was fashioning fruitful answers before many others had even discovered the questions."

He also stands out among his peers. The Magazine Publishers Association recently gave him a Henry Johnson Fisher Award for his contributions to publishing.

In an interview in his Manhattan office with a NATION'S BUSINESS editor, diminutive, soft-spoken Mr. Robinson puffed meticulously on his favorite pencil-thin Dutch cigars. He was in a reflective mood.

You have quite a display of magazines here.

Some of them are bound volumes of stuff running back to the very early days of the first magazines we published. I don't have the first two years of our first periodical, *The Western Pennsylvania Scholastic*. I gave them a long time ago to the Carnegie Library in Pittsburgh, where we started in business.

Scholastic is now called *Senior Scholastic*. It's a social studies magazine for the upper high school levels.

What do you consider your major publications today?

The one with the largest circulation is *Junior Scholastic*, our third periodical, which we started in 1936.

How many children and teachers do you figure receive your publications?

Total circulation is between 11 and 12 million, some of it weekly, some monthly. We have had substantial gains right along, faster than the population increases.

Is there any way you can measure the impact of your publications on American thinking and attitudes over the past 50 years?

That would be rather difficult. But I think it would be safe to say that one contribution of publications like ours to the educational world has been to put contemporary writing into the English classroom. In social sciences we did the same thing. We brought a discussion of contemporary problems into the classroom.

Judging from the much-publicized


TAB—THE READING MACHINE
Run Wild Run Free

Maurice Robinson of Scholastic Magazines, Inc. *continued*

behavior of some American youths today, do you think your publications may have failed to convey something essential?

Apparently we have failed—somebody has failed—to accomplish many things we would like to have seen accomplished. I would accept part of that responsibility, that we didn't get enough readers to read the right things and think about the problems in the sense that we would have liked.

The schools did not devote sufficient attention and time to the contemporary world. This made the youngsters impatient. But this is rapidly changing.

Young people today demand that things around them be "relevant." How do your magazines satisfy that demand?

We don't ignore such subjects as violence and war. *Science World* magazine brings the science textbooks up to date. Students can pick up the information from other sources, of course, but we organize it for them to update their textbooks. There is an awful lot of data in textbooks that has to be updated. Part of our job is to update, as well as to enrich courses of study and to spark discussions of critical issues.

How do you and your editors stay abreast of educational theories and methods?

We devote a great deal of attention to this particular problem. We had until last year as vice president of our company, Dr. John W. Studebaker, who was United States Commissioner of Education for 14 years preceding 1946, when he came here. He has been succeeded by Dr. Melvin Barnes, formerly superintendent of Portland, Oregon, schools.

Our people attend all the educational conventions, and some take classes at Columbia's Teachers College and New York University School of Education. Many of our people have been teachers, and if not, they have been trained journalists whom we educated to be educators. We also have for every one of our periodicals an advisory board of classroom teachers. In alternate years we release our whole editorial staff to visit schools and go right into the classroom and watch the children react to our material.

An increasing number of major companies have moved into the educational publishing field. How do you manage to be a leader and innovator in the face of such competition?

You mean how is a small company going to compete with the giants?

Right.

Our basic philosophy has always been to innovate. We have tried to find a vacuum, an area that is not being served by the schools or by the publishers. For example, there was nothing published for students in home economics. Nothing. So we started a magazine called *Co-Ed*, which now has a million circulation every month in home economics classes. We added science magazines in the same way.

Have you always been in publishing?

My first job was working for my father. He ran what he called a small department store in Wilkinsburg, Pa., outside of Pittsburgh. I worked there in my childhood. I could just get my head above the counter but I would wait on people, selling anything, whether it was a necktie or a corset. I learned an awful lot about pleasing customers. I learned to be polite when we were getting hell for bad service or what they thought was shoddy merchandise.

What was your goal in those days?

Well, I didn't want to work in, or run, a department store.

Why?

Perhaps because I *had* to work in one.

I wanted to be an editor. I suppose that I thought of it as being glamorous. I was somewhat bookish as a boy and I was interested in things that were printed. When I was editor of the high school paper, I still didn't know whether I had the talent for it. But I got some very good advice: The only sure way to get a job as an editor is to start your own publishing company. Then you can name yourself editor *and* publisher.

You did some editing at Dartmouth, didn't you?

Yes, but World War I badly interrupted my college career. I volunteered for the Army. The whole college just walked out. After the war I returned, finally graduated in 1920 and got a job with the Pittsburgh Chamber of Commerce. I worked for the editor of the Chamber's weekly periodical, *Pittsburgh Progress*. Once I was sent to interview the superintendent of schools of Pittsburgh for a September story. You know the usual stuff about school enrollment, finances and so forth. The superintendent had charts showing the probable increased school enrollments in Pittsburgh, in Allegheny County, in Pennsylvania and in the whole country. This fascinated me. Enrollment in secondary schools was going to go from way down here to way up here—and very fast.

So I said to myself, "Here is a field that needs all the new thinking and development anyone could wish for, and this is where the future lies." Within six weeks of that interview a friend and I published our first little paper, *Western Pennsylvania Scholastic*.

How did your business grow?

Very slowly. I kept my job at the Chamber during the first year. At the end of a year and a half I realized that my early dream of a chain of high school papers over the country was pretty screwy, because a thing like that would require great capital. So I gave up that idea. We dropped the words "Western Pennsylvania" at the end of two years and just called it *Scholastic* and continued to spread out with a national magazine from western Pennsylvania.

We were able to get substantial financial help from two or three well-to-do men in Pittsburgh during the '20s.

Businessmen?

Yes, one was the publisher of two newspapers in Pittsburgh; in fact, the other man was the publisher of two other newspapers. We were sent to them by George Clapp, who was one of the founders of the Aluminum Co. of America. He was already re-

tired then, and he was president of the Board of Trustees of the University of Pittsburgh.

My associate, Herb McCracken, was a football player at the university, so he was able to get us in to see Mr. Clapp.

Mr. Clapp said he didn't know anything about the publishing business, but if we could get these newspaper publishers interested, he would help us, too. These men did the major financing of the company—and right through the Depression when it was tough to get anybody to support anything.

How did you do in the Depression?

We kept right at it and expanded. I learned you have to have confidence in the people that you have working with you, and they must have confidence in you. That's what carried the company through the Depression. We didn't have paydays many times. We would find ourselves saying, "Where can we scrape up enough money for a hot dog?"

Some of the people are still here. That's the kind of thing that really matters in building a company—how many willing and loyal associates you can get together with you.

We had to suffer along for a long time.

We weren't as lucky or as smart as Henry Luce and DeWitt Wallace or some of the other people who started in business after I did. But we worked just as hard.

Beginning in 1931 we added a second periodical called *Scholastic Coach*, which is still in existence; it is a successful magazine for directors of athletics and coaches in high schools.

You also started sponsoring art contests and exhibitions.

My home is almost entirely decorated by work of high school students. Each year I buy some of the paintings out of these exhibitions.

When did you move to New York?

We moved in sections. Mr. McCracken first came here in 1928 to sell advertising in the magazine. We moved our editorial office here in 1931.

Your real expansion came at the close of World War II. Why was that?

We couldn't expand during the war because of the paper situation. After the war we really pulled out all the stops. We expanded the number of magazines and got into the book field.

Fully 90 per cent of sales of our books are directly to the children through book clubs. A book club is a class, and there are nearly 400,000 clubs. Their purpose is to encourage reading for enjoyment, so that it becomes a voluntary habit, and we cover all areas of interest—science, poetry, history, and fiction. That poster up there, the Reading Machine, that describes a book club for children who want to read and build their own libraries. Of course, we also publish many programs and books that are used as supplementary materials of instruction in language arts, social studies, reading development, science and other curriculum areas.

You were part of a delegation of publishers who went to Russia in 1962 to study how the Soviets do the type of thing you are doing. What did you find out?

We spent a month there visiting the publishing houses and some of the printing establishments. We learned nothing new about printing.

They don't have anything like our business in Soviet Russia. No contemporary problem stuff. There, the publishing business is a monopoly the same as everything else and they divide it up according to areas. They have the schoolbook publisher who has all the books in Russia to look after, with his own educational publishing house; nobody else can compete with him.

Then they have a science publishing house, an encyclopedia publishing house, and so forth. There is no competitive activity in the educational

Maurice R. Robinson is congratulated by Bayard D. Sawyer, immediate past chairman of the Magazine Publishers Association, upon Mr. Robinson's receiving a Fisher Award for his contributions to publishing.

PHOTO: BELA CSER

Maurice Robinson of Scholastic Magazines, Inc. *continued*

publishing field. It all belongs to the state publishing house.

Did you see evidences of Soviet censorship of educational publications?

The censorship is right at the publishing house level. They had to redo their encyclopedias immediately after the Stalin debacle. The re-editing of their encyclopedias and of their books was accomplished very quickly, because they had full control of the whole publishing enterprise. We found some very bright men there, really very knowledgeable publishers, but they had to live within the restrictions of their government.

What qualities would you say have been most important in your success as a publisher?

I think you have to be imaginative and creative in our particular business, as I've already indicated, and I and the young leaders in our firm also believe in hard work.

How many hours do you work?

Well, I don't count them because this has been my life and so that is all I do. I have no hobbies, except golf. I haven't had time to develop a hobby. I haven't been interested in developing one, either. I just devote most of my time to thinking about this place, thinking about the job, working with my associates to correct the problems we have. I don't know what I would do if I didn't have to work. When the end comes, I hope it comes awfully fast so that I am not out there puttering around someplace doing something I know I am not interested in.

How do you motivate a man to do his best for you?

By giving our people a stake in our enterprise. And I don't mean by this a financial stake alone—but also the encouragement of their natural enthusiasm for our field.

What do you see as the major problem in publishing today?

On the whole, trying to keep an outfit up front in a fast changing field, I would say, is the most difficult problem in the publishing business.

What stock do you put in the criticism by Marshall McLuhan, among others, that the printed word is a medium that has gone stale?

Of course I am prejudiced on the subject. The difficulty with exclusive visual stuff is that one person will see one thing and meanwhile another will see another thing. One will remember that the guy said "90 per cent" and another person will remember "10 per cent." Sure, there are a lot of things you can teach very well with visual aids. But as for McLuhan's conversation about the "death of the book" and so forth, I don't know who believes that any more.

You don't think the kids believe it?

I think the kids like it. I think they are accustomed to sitting and having this stuff flow to them, and I think they learn an awful lot that way through it, including television. But to retain it—and retain it accurately—is something else.

What should be the proper relationship between government and business?

Well, that's too big and broad a question to try to answer even in a book, let alone in a few sentences. I'm on the old-fashioned side in most respects, for I'm somewhat of a freewheeler.

Unfortunately, government has to write laws that are primarily designed to catch the dishonest business person, the unscrupulous lawyer or stock operator. As a result, honest businessmen are too encumbered by the regulations that the government erects, all of which costs a lot of money in executive time and in producing the mountains of paper work the government demands. I'm convinced that most businessmen are honest. But we have to protect society from those who are not.

So I guess we shall have to await the millennium before we dare even think about laissez faire.

Mr. Robinson, as you look back on your career, what has given you particular satisfaction?

Having a mission in life and having associations with people who are intensely alive and who believe in education. We have been able to encourage young people in the sciences and the arts. Those are great satisfactions.

The fact that we have for 30 years or more given away at least 100 scholarships a year to youngsters—that is very important to me. I have seen the first piece of verse some kids wrote, and I have seen these same kids become distinguished writers.

And, of course, I believe we have made an awful lot of youths conscious of the problems of the society and what they might be able to do about those problems.

What we have done in the way of getting young people to read also is very gratifying. Nobody can go anywhere unless he can read. You try to do without the printed word entirely—this is an answer to McLuhan—and where is our civilization?

So when we put in the hands of the young, as we did last year, 60 million paperback books—that's real satisfaction.

In a recent talk you said, "I have spent little of my lifetime looking back except to remember my mistakes. With me and my partner, Herb McCracken, our favorite subject has been, 'What's next?'" What is next for Scholastic Magazines, Inc., and Maurice R. Robinson?

For a long time I have looked forward to this fiftieth anniversary of ours, and I have been taking exceptional care of myself, taking care of my health—except for smoking these damn cigars—to make sure that I am still in fairly good physical condition to participate in the fiftieth year of our business.

I have been working harder in recent years, I think, than I used to work. Our young and energetic upcoming management team is the cause of this, because they're bringing so many new things into the company. They're pushing me—and this is as it should be. END

REPRINTS *of "Lessons of Leadership: Part LXVII—Maurice Robinson of Scholastic Magazines, Inc." may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Does Your Firm Face a Liquidity Crisis?

Corporate liquidity has been thrust at us in recent months as the latest crisis facing corporate financial officers. Is it real? Is your corporation better or worse off than others? What can you do about it?

Liquidity problems are real enough, but to appreciate this it is necessary to understand the term. Liquidity is a noun which refers to a corporation's ability to be liquidated. When its assets are reduced to cash and apportioned among its various creditors and owners, it is considered to have been liquidated.

Corporations' liquidity, then, begins with their ability to turn their assets into cash.

The utmost in liquidity is possessed by a corporation with assets consisting solely of cash—the least by one with assets of no readily determinable value, such as highly specialized factories.

The stockholder's interest in liquidity is normally not great, since he is more concerned with what assets will earn than with their liquidation. When he does become concerned (and the corporate treasurer must anticipate this concern), it is because he is beginning to worry that a substantial drop in earnings might be the start of a series of events which will leave him high and dry.

Each corporation, depending on its type of business and peculiar history, will have a certain amount of built-in liquidity.

A railroad, possessing vast amounts of fixed plant and equipment and peculiar real estate, is not readily converted into cash. After all what is a piece of real estate 1,000 miles long by 100 feet in width really worth? On the other hand a mutual fund, consisting of readily marketable securities, is quite liquid.

Present liquidity problems are highlighted by short-term claims against assets. Certain particularly growth oriented corporations have financed an increased portion of their new assets by incurring current liabilities.

The causes of this increasing reliance on short-term debt are rooted in the high interest rates of recent years.

Corporate financial officers tried to "play the market" and borrow short term, hoping rates would ease and permit cheaper funding later. Before banks ran out of money, an old instrument, commercial paper, was taken from the sole province of finance companies and adapted to industrial use, broadening the supply of short-term dollars.

How do you stack up?

In 1964, American industry had 38 cents of cash and marketable securities for every dollar of short-term liabilities, according to Securities and Exchange Commission figures. By 1969, this had dropped to 22 cents.

A computer study performed by Hornblower & Weeks-Hemphill, Noyes on more than 1,000 industrial corporations showed that, in 1969, the median ratio was 24.92 cents.

The table below sets forth the various percentiles of liquidity for these companies so that you may compare your own ratio with the entire spectrum. The third column gives long-term debt ratios (as a percentage of total capitalization) for the same firms.

The second column indicates the degree of the problem, the third shows how companies stack up in an area that offers a solution: Long-term funding.

Ranking in Liquidity	Liquid Assets Per $1 of Short-term Debt	Long-term Debt Ratio
Top 10%	$1.06 & up	57% & up
81 -90%	.61–1.05	45 -56
71 -80%	.44- .60	37 -44
61 -70%	.31- .43	32 -36
51 -60%	.25- .30	27 -31
41 -50%	.19- .24	23 -26
31 -40%	.15- .18	18 -22
21 -30%	.11- .14	14 -17
11 -20%	.08- .10	7 -13
1 -10%	.01- .07	Under 7

The solution to the liquidity problem, alas, involves a dilemma. Companies in the highest ranking on liquidity are apt to be in the bottom rank on long-term debt ratio. The worse a corporation's liquidity, the more difficult to solve it by additional long-term debt or equity.

Use of equity financing is unattractive indeed, unless the issuer has a price-earnings multiple of better han 20. (A rule of thumb is that the cost of a dollar in equity financing equals—in cents—the price-earnings multiple divided into 200.)

For most corporations this means the long-term debt market is all that is left.

The life insurance companies, backbone of privately placed debt, have been jammed with commitments resulting from their playing the interest rate market as did corporate treasurers. Believing that rates were too high to hold, they committed future dollars by delayed takedowns at what became unattractive rates. Additionally, policy loans (most life companies are required to lend a policyholder his cash surrender value at 5 or 6 per cent) have badly depleted what cash flow was uncommitted.

While misfortune has been visited on the private market, something highly unusual has happened to the public bond market—the public has been buying.

The "public" bond market, through most of its long history, has never really been public: Buyers generally were small institutions such as insurance companies, pension plans, trusts, banks and state and municipal trust funds.

In recent months, due to the stock market decline, individual investors have become excited by the high investment returns on bonds. The results have been electrifying—long-term interest rates have begun to dip while new bonds have been issued at a rate 60 per cent higher than the previous record rate, set in 1968.

But the public security buyer is probably, in the long run, more interested in equity. After all, he has been urged to "own a share of American business" for 20 years.

If, as some of us believe, the long sell-off in the stock market is over, the supply of dollars to the bond market may substantially decrease.

An answer to the liquidity problem, then, is achievable by the fortunate minority whose credit is strong enough to raise straight debt money in the public market now. END

GEORGE N. MORRIS, *author of this article, is a partner in the brokerage firm of Hornblower & Weeks-Hemphill, Noyes, and administrative director of its corporate finance department.*

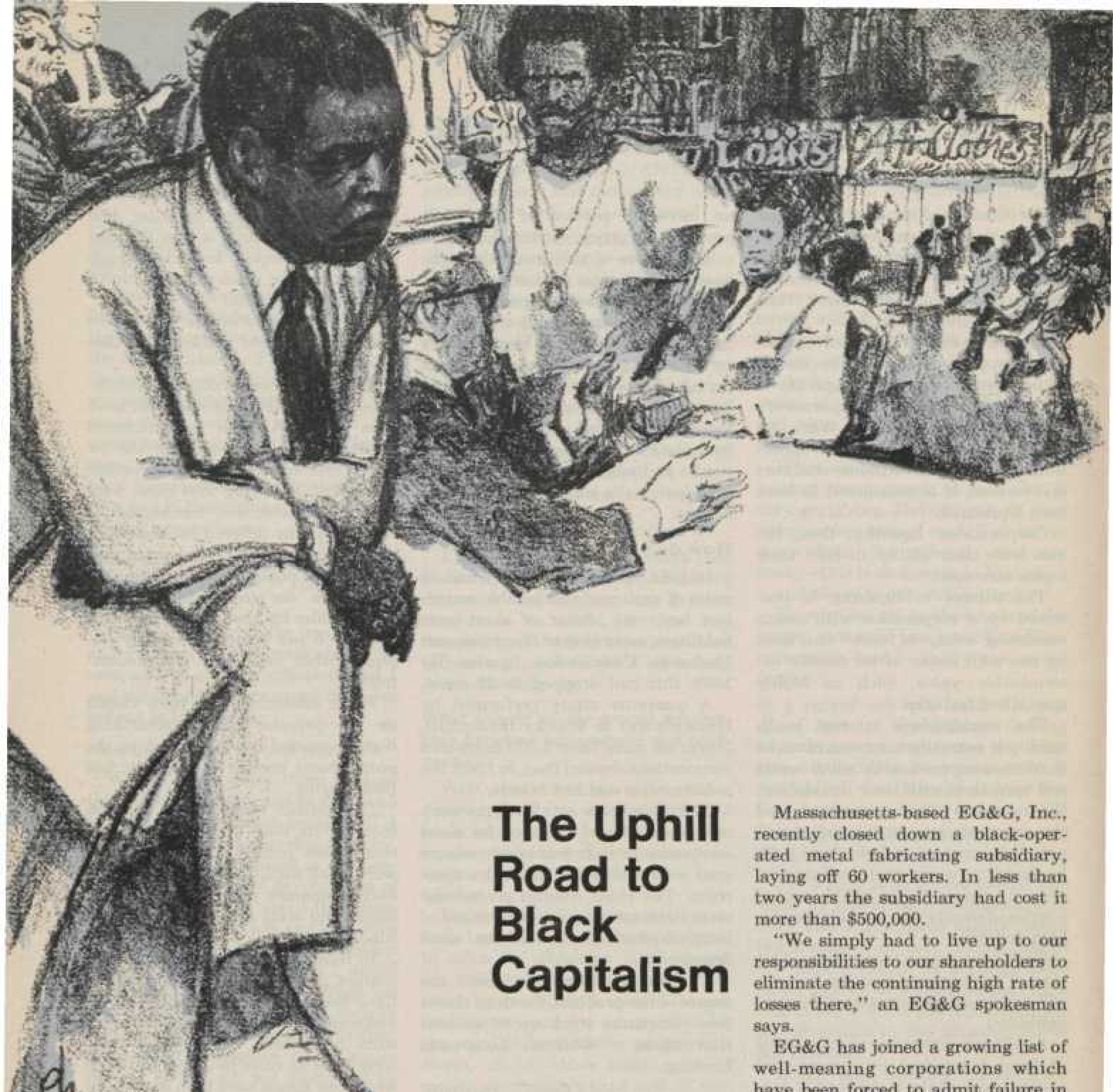


ILLUSTRATION: PAUL HOFFMASTER

The Uphill Road to Black Capitalism

Massachusetts-based EG&G, Inc., recently closed down a black-operated metal fabricating subsidiary, laying off 60 workers. In less than two years the subsidiary had cost it more than $500,000.

"We simply had to live up to our responsibilities to our shareholders to eliminate the continuing high rate of losses there," an EG&G spokesman says.

EG&G has joined a growing list of well-meaning corporations which have been forced to admit failure in their initial effort to give blacks and other minorities a "piece of the action."

Black capitalism, hailed two years ago by the Nixon Administration and much of the business community as the solution to economic inequity between blacks and whites, has thus far

CHARLES L. FRANKEL, *author of this article, has been vice president of a public relations firm which represents many corporations active in black capitalism. He also has served as California field representative for former U. S. Sen. Thomas H. Kuchel.*

been pretty much a failure. Instead of providing an avenue of hope, most of of the business experiments have only increased black frustrations. In some cases, a complete collapse of expectations and the loss of newly-found jobs have deepened resentment into hostility.

Despite these setbacks, however, it is much too early to downgrade or discard the concept. Black capitalism may have been oversold as *the* solution to the problems of the black man, though it obviously remains *a* solution. It is far less attainable than originally anticipated—but it is still attainable.

Experience in these two years demonstrates there are no easy answers for assisting blacks in gaining ownership of capital. It is clear that widespread success in the future can be achieved only through greater efforts, greater patience and a more businesslike approach by all concerned—the black man, the large corporations trying to help him, and the federal government which is attempting to provide leadership and incentive.

Most important, perhaps, is total dedication at the top. In the white corporation which decides to assist a black business, the chief executive not only must favor the investment, he must back it with the total influence of his office and work as diligently for success as he does in any of his firm's other enterprises.

In the government, the power and the prestige of the President must be put behind the program if there is to be solid accomplishment. The President can influence both the Executive and Congressional branches of government and set an example for the states, as well. Corporate leaders will respond to the President's encouragement.

Without government leadership, it is highly likely that minority capitalism will die of its own weight and inertia.

Conceptually, black capitalism has lost none of its appeal. Inequality of capital distribution, according to recent studies, is the main reason for the average Negro's apparent disillusionment with the American economic system; he is not a part of it.

While blacks make up more than 10 per cent of the U. S. population, less than 1 per cent of the five million private businesses in the country are black-owned.

Even in Negro communities, 80 per cent of the businesses are controlled by whites. More than 97 per cent of the money spent in these communities leaves the communities.

There are only 24 black-controlled banks in the United States. Two years ago the first black man became an auto dealer and today less than 100 out of 28,000 auto dealers are black. Just one of the 1,366 New York Stock Exchange seats is held by a Negro. There are only 40 black directors of major U. S. corporations.

A Small Business Administration study revealed the typical minority-owned business is a one-man personal service or retail shop with less than $20,000 in annual sales. Perhaps the largest black-owned industrial company in the country is H. G. Parks, Inc., a Baltimore sausage maker. Parks, in business for 18 years, has annual sales of only $6 million.

Rugged for individuals

Assistant Secretary of Commerce Robert Podesta recently stated: "The average black entrepreneur is 51 years old, takes home $6,000–$8,000 per year after taxes and operating expenses. Eighty-one per cent of all black enterprises are individual proprietorships. With a high risk of failure for the entrepreneur and high wages for the black union laborer, what's the incentive for a Negro to start his own business?"

Obviously, the black man does not have a "piece of the action." Yet it is in the best interest not only of the black man, but of society in general, to make sure that he has a greater stake in our society tomorrow.

Black capitalism certainly is not the only means of reducing the economic and social injustices which exist. It is no substitute for eliminating discrimination in hiring, training and promoting, or the improvement of education and housing for minorities. But it seems to get at the core problem more than any other activity.

Many routes to the goal

In the past few years many programs have been directed at increasing the amount of black-owned capital.

A number of white companies have created new subsidiaries with black management and labor. Sometimes these subsidiaries have been jointly owned by the corporation and members of the black community, but in most cases provisions have been made for a buy-out of the ownership by the black management over a period of many years.

With the increased use of the franchising concept has come an increase in the blacks holding franchises. One example is the assistance Levi Strauss and Co., producer of "Levi's," has given in the organization of a number of minority-owned clothing stores. The company provides long-term credit as part of a $20 million credit pool organized by the Menswear Retailers of America and Phillips-Van Heusen Corp.

In a few cases the black community has raised capital from its own members and from the white community to create community-owned corporations. Perhaps the best known operation of this type was founded by the Rev. Leon Sullivan of Philadelphia. [See "Opening Doors to Opportunity," NATION'S BUSINESS, April, 1970.] Partly through pledges of community members to invest $10 a month for 36 months, Dr. Sullivan raised enough money to spawn a mini-conglomerate consisting of a garment factory, an aerospace company, a large apartment complex, a chain of shopping centers and a number of other operations.

Finally, a black man seeking to

The Uphill Road to Black Capitalism *continued*

start a business or to expand one has had a new source of funding in recent years. Corporations, banks and foundations, individually and collectively, have established capital pools solely for minority businesses. In Dallas the Sam Wyly Foundation (Mr. Wyly heads University Computing Co.) has provided funds and technical and managerial assistance to a number of Negroes and Mexican-Americans who wanted their own businesses.

Toys and soul food

In June, 1968, Arcata National Corp. organized the Arcata Investment Co., which has financed and advised more than 30 diverse companies in northern California—with operations ranging from a delivery service to printing to wooden toy manufacturing to a soul food take-out.

Both Wyly and Arcata organized under law provisions that apply to Small Business Investment Companies; with an initial investment in excess of $150,000 the federal government will lend the SBIC twice that much, or $300,000.

These companies also have taken advantage of a Small Business Administration program which, on approved loans to minorities, permits banks to lend money that is 90 per cent guaranteed by the SBA. The SBICs have learned that the banks generally require that they supply 20 per cent of the total funds loaned to the minority businesses. Thus, as only one third of that 20 per cent is the seed capital provided by the corporation or the foundation, they are able to gain a leverage of 15 to one; that is, by providing $150,000 for an SBIC, with the help of the Small Business Administration and sympathetic banks, $2,250,000 can be made available as lendable funds for minority enterprises.

The relative success of this kind of operation led the Nixon Administration to use the program as a pattern for its MESBIC (Minority Enterprise Small Business Investment Company) program, the program on which the federal government is placing its greatest emphasis and in which it has greatest expectation of success. [See "A Piece of the Action," NATION'S BUSINESS, March, 1970.]

While the Small Business Administration has taken giant strides in the last few years in financing minority entrepreneurs, the fact remains that many situations cannot meet even the relaxed requirements for an SBA loan guarantee. In California a special kind of fund pool has developed which supplies money for the minority businessman whose financing proposal is turned down by other community resources.

In February, 1969, Opportunity Through Ownership Corp. (OPTO) was organized. The sponsors, seven San Francisco banks and the Di Giorgio Corp., lend the funds to OPTO and pay the overhead of the 19-man multiracial staff.

OPTO, managed by Melvin C. Yocum, a former vice president of one of the sponsor banks, started out with committed funds totaling $2,150,000. Loans made are guaranteed to an aggregate of $200,000 by the State of California under the California Job Development Corporation Act. To Aug. 31, 1970, after processing 390 loan applications for funds totaling more than $16 million, OPTO had made 56 loans totaling $1,929,000.

The companies receiving loans include a Mexican-American bakery, an Indian publishing firm and a Negro electronic components assembly plant. Other beneficiaries of OPTO's liberal loan policies include 12 manufacturers, 12 retail stores, five transport companies and nine service firms. Ninety per cent of the companies which have received loans are doing reasonably well; the others are in difficulty.

Frustrated by the necessity of rejecting loan applicants whose proposals are either too risky or too high-quality, and desiring to involve major corporations in its program, OPTO is forming its own MESBIC with capital stock of $3,750,000. When capitalized it will be able to use the 15 to one leverage, making almost $50 million available to minority entrepreneurs seeking loans and equity participation.

Reasons for failure

One must examine black capitalism closely to determine why experience has fallen short of expectations. To be blindly optimistic is to raise unwarranted expectations in both minority communities and the white corporations whose funds and counsel are vital.

No one vehicle for the promotion of black capitalism has met with substantial success; the stories of failure and disappointment outnumber those with happy endings. Black businesses have failed for a variety of reasons.

EG&G, Inc., which had no experience or knowledge about metal fabricating, established its subsidiary in Roxbury, Mass., hiring four black managers, only one of whom had any experience in the field. It sought and received promises of assistance and future purchases from federal officials and other large corporations in the Boston area. The assistance never adequately materialized.

Bending over backwards to avoid paternalism, EG&G made accounting and payroll activities the responsibility of subsidiary managers—until it learned that expenditures were six times greater than projections. EG&G President Bernard J. O'Keefe believes the subsidiary attracted managers who were hard working and socially committed, but unfortunately not concerned about meeting budgets.

A number of similar threads run through experiments in black capitalism. The problems, out of order of their importance, seem to be these:

- Small businesses in the United States are intrinsically high-risk situations.
- Operating any business, white or minority, in a ghetto is a battle for survival.
- The social motive and the profit motive frequently are confused.
- Being a black owner or manager, by definition, means facing certain extra stumbling blocks.
- The quality of the sponsoring corporation's contribution is as important or more important than the quantity of its contribution.
- The interface, the relationship which exists between the minority businessman and the large corporation, is a vital and elusive element which substantially influences the enterprise's success or failure.
- Government leadership in word and deed and the coordination of myriad government programs are needed to inspire private industry and to assist black capitalists.

Seven out of 10 small businesses


Can you afford to lie down on the job?
It's a luxury few businessmen can afford.
Yet someday you could be forced to. Statistics show that one in three men are disabled at least once before retirement. From a few months to a few years or even longer.
That's why the Innovators at Great-West Life have worked hard to develop unique new disability insurance plans for business owners and professionals.
To protect you and your job.
Great-West Life disability insurance provides continuing monthly income until you're back at work. It offers tax advantages. And it's non-cancellable. That means you don't risk losing coverage even if you develop a recurring health problem.
Talk to the Great-West Life Innovators. If you have to lie down on your job, they'll help you afford the time.
Great-West Life
The Insurance Innovators

die during their first three years. This mortality rate is a tremendous handicap for any business, white or black. Most minority entrepreneurs have suffered from all-too-familiar maladies—inadequate planning, overoptimistic sales and earnings projections, undercapitalization, and too little knowledge of the numerous skills required to operate a business.

In the ghetto, the fear of looting and fires, and discrimination too, prevent many businesses from obtaining adequate credit, from purchasing inventories at reasonable quantity discounts, or from obtaining insurance at reasonable rates.

For an inexperienced black businessman to attempt to hire, train and retain hard core unemployed workers is also an unreasonable objective. Even when skilled Aerojet-General Corp. and IBM moved into the ghettos, their experience with keeping hard core employees forced them to revise downward their expectations of success. At Aerojet's Watts Manufacturing Co. in Los Angeles, more than 1,200 people had to be employed the first year to keep the work force at 500.

"Watts Wallopers" strike out

When the Green Power Foundation, Inc., established a company in the Watts section to produce "Watts Wallopers" baseball bats, it did an inadequate evaluation of the product and the market. Its goal was admirable: to encourage Little Leaguers to identify with black men's accomplishments through using a bat produced in Watts.

Hundreds of bats were turned out each day—from oak wood, because a supply of the customary white ash had not been secured. The oak splintered when it met the ball, a condition that led to the demise of the Watts Wallopers.

Obviously, when it was found the right material could not be obtained, the project should have been abandoned. But the motive was employment and black pride—and that motivation overcame good judgment.

The overwhelming consideration must be that minority enterprises are, first and foremost, businesses and should be treated as such.

Minority businessmen are generally different from white businessmen as the result of differences in experience, education and tradition. Relatively few men in the black community have been adequately trained in marketing, purchasing or production. Until recently there were few blacks with degrees from graduate business schools. This year, as evidence of a shift, nine such schools received a grant to recruit blacks and Harvard's entering class of 774 included 78 blacks, compared with 20 last year.

A corollary problem is that those who have the experience frequently command premium salaries, and have good promotion opportunities in large corporations. Consequently, few blacks wish to accept the risk of a new business.

The pressures of his peers

The highly motivated black who does decide to go into business for himself has additional problems. He is constantly subject to the pressures of his peers in the ghetto. The militancy of today's black community argues against a black man instigating and continuing a social or business relationship with the white man. In the ghetto much value is placed on "conning" the white man, and for the black entrepreneur this temptation for reputation must always be weighed against the desire for a successful enterprise with continuing financial assistance from the sponsoring organization or business.

The black man who heads his own business must walk narrow lines within the black community, and between it and the majority community. The black man may be favorably accepted in his own community if he has many of the trappings of wealth for his own morale. Yet, when the white sponsor sees such trappings, he will most likely clamp controls on the black business and restrict profligate spending.

As more controls are exerted, the black man may come to resent the relationship with the sponsor. This makes it difficult for both parties.

Finally, there is the problem of the minority businessman breaking into what seems to be a closed circle, the business community. How many corporations are accustomed to buying from, or even selling to, black businesses? How many banks are accustomed to lending to black businesses, even if they are successful?

If we are to reduce the vulnerability that comes with operating in the ghetto and if we encourage the minority businessman to operate in a community dominated by white corporations, he faces all of these difficult problems. If he is to succeed, he will need continued assistance from the sponsoring corporation; he will need introductions to banks and purchasing agents, and occasionally require the influence of the sponsor to receive a price on purchased goods that will make him competitive.

Corporations considering independent or joint financing and counseling of minority businesses should not undertake such responsibility lightly. They must plan such an investment as they would plan any corporate activity.

The quality and relevance of those who work with the black capitalists also is critical. Fledgling businessmen need experienced counsel, not the counsel of novices.

Corporate advisers should be brought into minority businesses at the earliest possible date, preferably when the proposal for financing is presented. The adviser must plan on a time-consuming and continuing relationship. A turnover of advisers will harm both the small business and the large corporation.

Making his own mistakes

The corporation that organizes, finances or counsels a black business must accept the fact that few, if any, effective controls can be exercised. A counselor must recognize that he is not directing; he is only advising and the final decision rests with the entrepreneur.

Ultimately, the corporation must rely on the ability of the small businessman. OPTO's director Mel Yocum stated it succinctly:

"The minority businessman should be allowed to make his own mistakes. We do our best to make sure that the mistakes are not fatal."

The point at which the corporation or the MESBIC touch the minority businessman is of critical importance to the entire process. The chemistry has to work! A breakdown of com-

munication can lead to a breakdown of all assistance.

For example, the First National Bank of Chicago discontinued its loan and counseling program; it learned that either its staff wasn't communicating or the businessmen didn't want to listen.

The consultant to a minority enterprise must learn the value of listening rather than talking. The minority businessman has had to face white power all his life and, at the point that he is gaining some financial independence, he especially resists the doctrinaire preaching of an "expert."

Thus the sponsor's representative should resist the always-present temptation to recommend changes unless he can document to the entrepreneur clear reasons for them.

When a large corporation is helping the small businessman, the line between paternalism and welcome advice is often very thin. In Pasadena, Calif., Mobil Oil Corp. tried to assist a black group which had leased a service station and ran it into the red, but the blacks resisted, saying they "didn't want some honkie looking at the books."

On the other hand, when—as noted earlier—EG&G attempted to avoid being too paternal and gave virtual autonomy to its Roxbury subsidiary, the result was financial disaster.

One method of avoiding unnecessary friction is to use intermediary or parallel organizations, one white and one black.

In Brooklyn, N. Y., the black-managed Bedford-Stuyvesant Restoration Corp. works with Development Services Corp., a white group whose board, when formed, included the chairmen of IBM and First National City Bank, and others equally prominent.

Arcata Investment Co. helped to establish a community organization in East Palo Alto, Calif., and now uses the organization to review proposals and improve communications with loan recipients. When the Wyly Foundation started lending to minority businesses, it established Venture Advisers, Inc., a management counseling organization, and appointed the president of the Dallas Negro Chamber of Commerce as its managing director.

While corporations can furnish enterprising minority businessmen with financial aid, technical and administrative counseling and entrée to purchasers and suppliers, government has the potential and obligation to supply moral leadership and appropriate incentives to make minority capitalism function.

Many federal programs

The Nixon Administration, upon taking office, listed 116 programs affecting black enterprise. It created an Office of Minority Business Enterprise, charged with responsibility for pushing the Administration's minority program. But OMBE has run head-on into conflicts with the Small Business Administration and is unable to consolidate overlapping programs of the Departments of Labor, Commerce, and Health, Education and Welfare.

The Administration's Project Enterprise, spearheaded by the Secretary of Commerce, Maurice H. Stans, announced in October, 1969, that it would "seek to achieve" the development by June 30, 1970, of 100 MESBICs. On that date it had 111 commitments, but only 16 license applications had been received and just 12 MESBICs had been licensed.

By the end of September, according to Mr. Stans, the number of commitments had grown to 120, and 19 MESBICs were in operation. He says the lag between initial commitment and operation is due to time-consuming but necessary legal work and arranging of finances before licenses are granted.

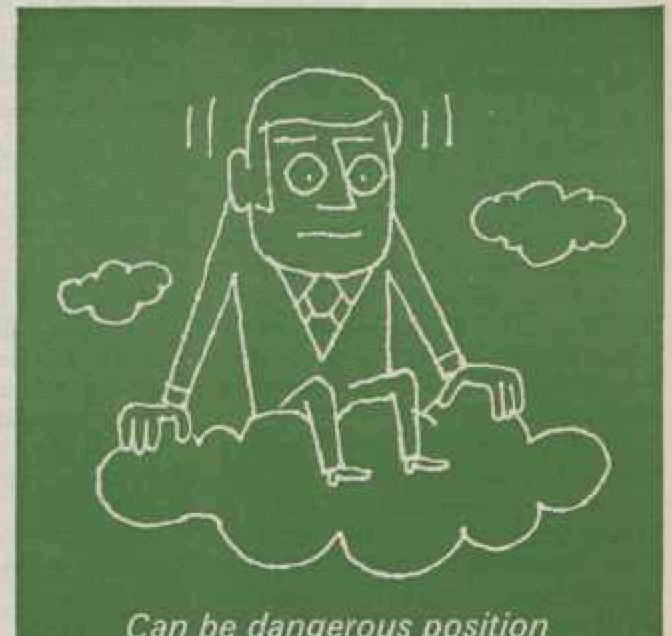
Preston Lambert, executive director of the Brooklyn Local Economic Development Corp., has said that black leaders want ownership because it "means strength and dignity, and provides a symbol for the whole community . . . . The symbol of respect is the largest reason for the black determination for ownership."

But corporations and organizations that seek to foster such ownership must do so with the clarity of vision that comes from knowledge of the problems that exist.

Idealism must be tempered by the reality of experience. Thus, risk can be better calculated and success more probable. END

The New Company President: Ten Steps to Failure

BY ROBERT C. WILSON
President, Commercial Products Group,
North American Rockwell Corp.



Can be dangerous position

Any man who has realized his ambition to become a president in a major corporation soon discovers—if he did not know it in advance—that the position can be a dangerous one.

A recent survey, in fact, showed that almost half of the presidents who leave U. S. companies do so for causes other than normal retirement. These causes go under many names, including the famous "personal reasons," but the unhappy fact is that a lot of presidents are fired.

From my limited personal experience and wide observation, I conclude that most new presidents determine their own success or failure within a surprisingly short period after taking their posts.

Perhaps, to borrow a phrase from another kind of president-watching, the die is cast in "the first 100 days." It is in the beginning when the company president, by action or inaction, can establish his success or seal his doom—though his actual demise as president may be delayed for months or years.

Somehow I seem to have survived this critical break-in period (without making any predictions for the future, of course). Perhaps some other new presidents can draw some advantage from my experience and analysis.

Following are 10 pitfalls that seem the most deadly to me. These apply to the new department or division manager almost as directly as they apply to the new president.

Pitfall Number 1:
Assume the way will be prepared for you.

This is a quick and easy route to failure. How many presidents have taken the job, I wonder, without realizing that a casual remark has dug a booby trap in their path?

A member of the board, for example, passes the word to a company executive to "let us know how this new fellow handles himself." What the director has signaled, of course, is that the board may not be absolutely sure of its presidential choice, that the man bears watching.

The new president, in his innocence, assumes that he was hired to be the boss and that his lieutenants have been prepared to accept him on that basis. The director's casual remark, however, could put the president in roughly the same position as being tossed into a lion pit.

Such lion pits are common these days, partly because of the widespread practice of bringing in new presidents from outside the company. According to various surveys, some 40 or 50 per cent of new presidents and other senior executives have been with their companies less than five years. Each newcomer is thrown into a going enterprise with its own policies and procedures, which he must master.

ROBERT C. WILSON, *author of this article, joined North American Rockwell Corp. as president of its Pittsburgh-based Commercial Products Group in October, 1969. Before that, Mr. Wilson, who is 49, had been a General Electric Co. vice president. North American Rockwell's Commercial Products Group is in the billion-dollar sales class.*

Unless his superiors have prepared the way, the new president frankly does not have much of a chance. That is why every prospective president should insist, as a condition of employment, that the board or whoever hires him make it clear to the entire organization that he is, unquestionably, the quarterback.

In my own case, my boss welcomed me with a dinner attended by the senior managers reporting to me. No one left that meeting with any question about my being in charge.

On another occasion, the board chairman created the same effect for me in a very informal way. The directors and key executives of our company had gone to Florida for the Apollo 12 moonshot, for which we were one of the prime contractors. On the big day, my wife and I were standing in the parking lot, unsure which of the chartered buses we were to use. Willard F. Rockwell Jr. and his wife had already boarded a bus with the directors. When they saw us, however, they got off the bus and escorted us on board. It was a simple gesture—but I am sure it said a lot to everyone who observed it.

The new president cannot simply rely on the board, his predecessor, or his chief to smooth the way for him. In order to establish and maintain his authority, he must establish and maintain good upward communication.

One good method is to keep a list of priorities, and go over it periodically with your boss or board. That way the president and those to whom he answers can agree on what is to be accomplished, when, and how.

DRAWINGS: CHARLES A. DUNN

Let them know you're in charge

Have high visibility

Pitfall Number 2:
Fail to note language differences.

There is a different language in every company. For example, as common a word as "profit" can have all sorts of meanings to different managements. Other terms can vary even more widely. Just what is included, for instance, in your "five-year forecast?"

The new president may find that he is literally talking in a different language from those around him.

He may tell his staff, "Let's meet at 8:30 Friday on market forecasts." What he has in mind is for his people to come in fully prepared with charts, documentation, and a hard-hitting presentation. Then, to his surprised annoyance, they arrive prepared for nothing more substantial than an informal chat about the subject.

One can get an inkling of "company language" before coming to work, but only in a general way. Two of the first things any new president would be well advised to do are:

- Learn the existing language.
- Make any alterations necessary.

This done, everybody is on the same wave length.

Pitfall Number 3:
Remain invisible.

No doubt about it. The new man should take charge in a highly visible, perhaps somewhat dramatic way. He can't afford a low profile.

One way to signal your arrival to the organization at large is to make some minor but highly popular decision. Again to draw from my own experience, on the

second day after I was installed in our Pittsburgh headquarters, a question arose about an extra paid holiday for salaried people at that office. It was clear they were entitled to the additional holiday. I had no difficulty in making a quick decision in favor of another day off.

The new policy was pleasant all around and had high visibility.

This does not mean the new president should dodge hard or unpopular decisions. It means only that he might well look around and see what relatively unimportant but welcome change he can make that will help to get the organization on his side.

Pitfall Number 4:

Fail to get the confidence of key subordinates.

Contrary to popular opinion, a company president derives his power from the consent of the "governed." If his people do not want to follow his leadership, they will find ways to circumvent it.

When you have been with a company a while you know people on many levels of the organization who will tell you candidly what they think of the company and of what is going on. The new president, however, will not receive such instant confidences. But he should immediately start working toward this level of relationship by making social contacts with his executives.

When we have our monthly management meeting, for instance, the division presidents are invited to come to Pittsburgh the night before. We have dinner together and informally talk over current projects.

Airplane trips are also a good occasion for this kind of communication.

Wives, in my opinion, are very much a part of the social picture at the management level (not necessarily true at lower levels). In addition to doing their part at social gatherings, they are called on to make many sacrifices.

It is a wise president, I think, who recognizes this and makes gestures such as sending Christmas gifts to management wives in appreciation for all the hours with their husbands they have given up for the business. This is all part of creating the correct climate among members of the management group.

Pitfall Number 5:

Fail to get the confidence of the entire organization.

No matter how hard you try, every headquarters remains a little remote from the field in a large company. When any new policy comes down, the men in the districts or branches have a perfectly natural tendency to say something like: "Well, here comes another screwball idea from the home office." The new president, however, has an opportunity to break down a little of this remoteness.

What I have tried to do is visit every plant in our group, mainly to get acquainted with management there. I spend a day at larger plants or visit two small plants in one day. The thought to be conveyed is: "Here I am. I'm the one responsible for those screwball ideas.

Act like a leader

But I want you to know we're going to be making decisions on the basis of the best available information. And you will be listened to."

These plant meetings are usually quite informal. We exchange views. And hopefully we establish a communications procedure to use from then on.

The plant manager knows that I want his information, requests or ideas, and that they will be processed promptly through intermediate management.

And it is a very good idea to use this kind of occasion to straighten out any problems that have been bothering local management.

For instance, when I asked for questions at the end of one meeting, the local man said he had been very frustrated by the pricing, which was being done at a central location. He pointed out that there was no minimum charge on replacement products, and the result was that the plant was losing money on some orders through processing costs.

One day later, word came back to him that the entire pricing structure would be changed. A long-standing frustration had been corrected.

A new president can meet with people right down to the level of foreman or superintendent—and often to the hourly workers, too—and ask: "How can we help you?" A shop superintendent may just say what's on his mind: "You people want this report on Thursday, but I don't get the data until Wednesday. If you'd give me until Friday, I could. . . ." There may be good reasons to take his suggestion.

Pitfall Number 6:

Fail to distinguish between urgent and not-so-urgent problems.

Another short route to oblivion.

Sometimes, in an effort to walk softly, a new president

is tempted to put off correcting some of the serious problems he spots.

Perhaps sales are dropping sharply in one division, while production is being maintained. This might be an untenable situation that must be corrected—and fast.

Just like a doctor, the president must take the least severe action that will cure the patient. Has he time for X-rays, or is it imperative that he stop the bleeding first?

One way to decide the relative importance of problems is to look at the historic curves on fundamental items like market position, pricing and inventories. If there has been a dramatic deviation, equally dramatic action is probably required. But if there has been only gradual deterioration, you should have time for more consideration.

Ask yourself: "If I do nothing, what will happen?"

Let's suppose, for instance, that the president has evidence that the director of purchasing is playing footsy with a supplier. You would have to get rid of this bad apple in a hurry.

On the other hand, suppose you have a research director who has virtually retired on the job, but who has the knack of attracting and holding very capable people. In a way, the director is a good manager, even though on the surface he appears incompetent.

Since there is no imminent disaster, you have time to think about it—and may decide to take no action at all.

The new president, incidentally, is typically under great pressure to make sweeping changes. He's like the new doctor in the Navy, who finds the entire ship going on sick call.

Suddenly there are managers from all over who are anxious to get the new boss' okay for their pet project or his support for their pet peeve.

But beware of hasty judgments. They can promote partisanship and confusion that will cause trouble later on.

Pitfall Number 7:
Don't bother to set your own style.

Companies have a personality, and if he is to do his best the new president must to some extent begin to impose his personal management style.

In some companies getting a decision is a slow and painful process. There are so many checks and balances that any substantial decision might take six or seven months.

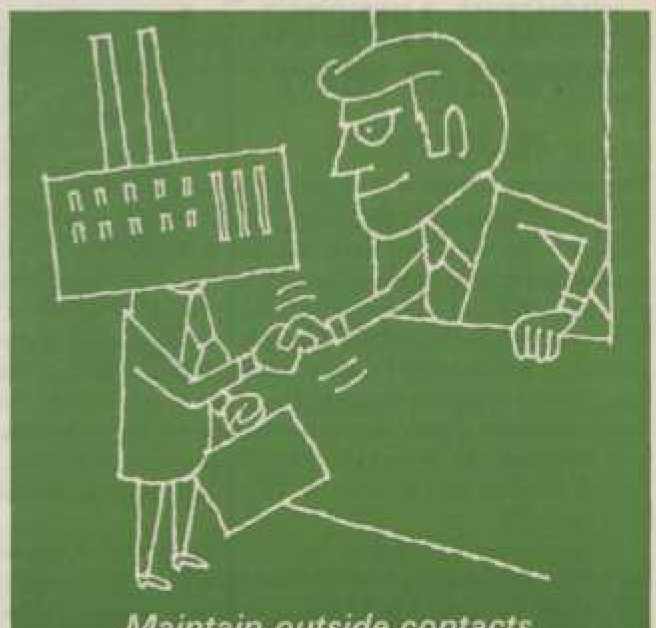
North American Rockwell happens to be exactly the opposite, all the way up and down the line, and it was that way long before I arrived.

This is the way I like to operate. But others might feel differently.

You must make up your own mind on what kind of style will best suit your purposes.

Do you give orders or make suggestions? Under what circumstances do you resort to written directives?

How open is your open door? Is it understood that you can be interrupted at meetings only when something urgent is afoot, or can you be asked whether you want cream in your coffee?



Maintain outside contacts

Do you enjoy a continuous flow of relatively routine papers across your desk or just the ones that will cause a poor decision if you don't know about them?

A president also must let people know when they can and cannot use his name. If you're not careful, you will have people telling other people that the boss had to have this report by Monday—and entire departments will be working all weekend when it isn't really necessary.

One recent day I happened to be reading my outgoing mail and came across a copy of a letter that a manager had written to a division vice president, involving my name and asking for a great deal of data I did not want. As it turned out, the division vice president was coming to see me that morning. So when he came in I mentioned the memo and said:

"Let's make sure you and I understand each other. If I want any information like this, I'll ask you. Don't accept my name from anybody else."

Pitfall Number 8:
Avoid seeing outsiders.

New presidents can get so wrapped up in taking hold of the job that they fail to seek fresh information from outside.

You should seize the opportunity to get out and call on major customers in the company of the salesman who handles the accounts, and find out what can be done to serve them better. In some cases the president can put his salesman in touch with senior executives in the customer company that the salesman otherwise wouldn't get to see. And there is also the opportunity to build the salesman up with his regular buyers.

As for suppliers, they can tell you many things you should know—how your company compares with other customers, their own plans for coping with foreign com-

petition, and so on. But the important thing is that the president seize the opportunity to make personal contacts.

Pitfall Number 9:
Fail to take charge.

This is probably the most direct route of all to disaster. To lead, one must act like a leader. And that means never letting there be any doubt about who is in charge. Let's face it. Whenever a new president is elected, it's bad news for somebody. Maybe someone within the organization thought he should have had a crack at the job. This is common enough. But even if rivalry of this kind does not exist, there are bound to be jealousies and resentments. A new president, almost by definition, brings in some new managers. There is no way to avoid that entirely.

When I came to North American Rockwell, I made up a list of "Running Rules of the Road" to help establish a certain direction to our activities. The 10 guidelines in the list included suggestions such as: "Be dubious of any optimism until any downturn truly bottoms out," "Move in immediately on costs that are out of line with volume," and "Identify our best people and free them from detail."

This list was sort of a supplement to formal company objectives. My aim was to get all thinking along the same lines toward the solution of common problems.

And the other thing the new president does, of course, is to begin to identify his successor. My advice is, start to look for the next president the day you arrive.

Pitfall Number 10:
Forget about industrial statesmanship.

There is no greater or more valuable role to be played in this country than that of the enlightened businessman, who recognizes that business is a cornerstone of society. This thought should underlie everything a president does. Sometimes it seems that this is the real point of it all.

Business nowadays is under attack from many quarters. I suppose it always has been under attack.

What does business do besides make profits? Among other things, it creates wealth so that society can afford the things it wants. It creates the technology that makes man's life better and more meaningful. Perhaps most important of all, it develops people.

There is a social base to business, and the new president who forgets it, in his understandable eagerness to make a track record, may in the long run have fallen into the deepest pitfall of all. END

REPRINTS *of "The New Company President: Ten Steps to Failure" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Riding High on the Lindenwold Line

When they discuss mass transit systems of the future, planners are likely to think in terms of high-speed rail lines, offering enough convenience and economy to lure motorists from the highways.

In addition, they say, there should be a high degree of automation to avoid the labor costs that have pushed many present systems to the verge of bankruptcy.

While the specifications may sound visionary, just such a line is now operating successfully between Philadelphia, Pa., and Lindenwold, N. J., a suburb across the Delaware River.

The line's clean, modern electric cars make the 14.5 mile trip from Lindenwold to Philadelphia in 22.5 minutes. They stop at Camden, N. J., and other points along the way.

During ordinary rush hours, automobiles make the same trip in 45 minutes, buses in 60.

Fares on the rail line average 47 cents. The bridge toll for cars is 50 cents.

The Lindenwold Line went into operation early in 1969 and was carrying 28,000 passengers a day before the year was out. It is operated by the Port Authority Transit Corp., a subsidiary of the Delaware River Port Authority, a joint agency of Pennsylvania and New Jersey.

It's subsidized by highway bridge tolls.

While its builders hail the Lindenwold Line as "man's first 22 minutes into a new era of mass transportation," its origins go back 45 years to the foresight of the designers of a highway bridge between Philadelphia and Camden. They included facilities for a transit rail line, which eventually went into service in 1936 and at one time carried 10 million passengers a year.

But patronage ebbed as the old "Bridge Line" aged. It was down to 7.6 million in 1955, when planning began for a new rail link between Philadelphia and the burgeoning commuter suburbs beyond Camden.

The Lindenwold Line, which cost \$94 million, has such space-age features as machines that sell and collect tickets and automatic controls that take charge after the single motorman closes the doors and starts the train. He also stops it in an emergency.

Otherwise, running it is pretty much up to ATO—Automatic Train Operation. ATO accelerates the train, maintains a predetermined speed, slows it for curves and stops it at the stations. The train goes up to 75 miles an hour.

Passengers buy magnetically coded tickets from vending machines at the stations where they board. At their destinations, they insert the tickets into other machines which open the gates to let them out.

If a rider has gone farther than his ticket permits, or has lost his ticket, the machine refuses to open the gate. Instead a sign lights up which tells him to "Call for Aid" on a handy telephone. It puts him in touch with an agent at a central control station with whom he makes arrangements for paying full fare.

The automatic ticket system cost \$1.45 million but will save an estimated \$400,000 a year in salaries.

It's one of the many features that have brought transportation officials from all over the world to have a look at the Lindenwold Line. END

DYNAMIC GROWTH COMPANIES

Waterman-Bic Pen Corp.

On the ball with the ball-point

Waterman-Bic President Bob Adler pursues another interest with the same enthusiasm that helped his firm capture nearly half of the U. S. inexpensive ball-point pen market (its sales totaled $40 million in 1969). Here, he confers with an official before an exhibition game between the Philadelphia 76ers and his Hamden (Conn.) Bics, a minor league pro basketball team he acquired last year.

The day after Connecticut's Naugatuck River raged out of control and flooded the countryside in 1955, Bob Adler checked in at the old Waterman Pen Co. in Seymour as a newly-hired junior accountant.

Instead of being shown to his desk and calculating machine, he was handed a shovel and ordered to help clean out the mud which had collected in the plant during the flood.

Nine years later, Robert Philip Adler, then only 31, was named president of the newly organized Waterman-Bic Pen Corp., located in Milford, Conn.

Mr. Adler had taken over as executive vice president and general manager in 1959, when Waterman-Bic was struggling to get a toehold in the infant ball-point pen industry. Sales of the new Bic pen then were negligible at best.

Today, the Milford plant is turning out some 400 million ball-points a year—none priced over 49 cents—and has captured almost 50 per cent of the over-all American inexpensive ball-point market.

The name Waterman has meant writing instrument since Louis Waterman invented the first practical fountain pen in 1875. For many years the Waterman Pen Co. led the world in the manufacture of fountain pens. But in the late 1950s—when the shift to ball-points swept the United States—Waterman failed to make the transition and slipped badly.

Then, in 1958, Marcel Bich, a

Robert Adler used to get by on a quick hamburger, but now has learned to relax over lunch in the executive dining room. In the background is one of several pieces of Renaissance art which Bic founder Marcel Bich sent to Mr. Adler's plant from France.

PHOTOS: IVAN MASSAR—BLACK STAR

A fresh run of plastic pen barrels is displayed by Armound Priester, right, vice president in charge of manufacturing, for Mr. Adler's inspection. The sack contains plastic granulated cubes which are melted to form the pen barrels.

INTERNATIONAL INCIDENT

There is going to be an International Incident in Washington on April 25-27, 1971.

For businessmen from all parts of the world will be coming to the 59th Annual Meeting of the Chamber of Commerce of the United States.

The meeting will be a challenge to the imagination, ingenuity, resourcefulness and determination of the world's business leadership.

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For More Information

Use the coupon for more information about the National Chamber's Annual Meeting in Washington, April 25-27, or check with your local or state chamber of commerce, or trade or professional association.

* * * *

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Please send me a copy of the Preliminary Program for the National Chamber's Annual Meeting, in Washington, April 25-27, 1971, showing the speakers and panel members, and the issues and problems to be discussed.

Also—please send me hotel and ticket reservation forms.

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Firm or Organization

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City, State and Zip Code

Total automation is one of the keys to turning out inexpensive ball-point pens. Mr. Adler and Mr. Priester chat beside one of 200 Swiss-made screw machines which convert 10-foot brass rods into ball-points. These machines operate virtually unattended around-the-clock and are shut down once a week for routine maintenance.

Waterman-Bic Pen Corp. *continued*

Frenchman well-established as the foremost European pen maker, bought out the Waterman operation.

From the beginning, Bic made no attempt to compete with Gillette's Paper Mate, which dominates the dollar-and-over ball-point market. Instead, it has been content to saturate the market with the Bic refillable "Clic," selling for 49 cents, and with less expensive models, including a 19-cent nonretractable, nonrefillable throwaway pen.

"We came into the industry when it was beginning to change over to a mass business and we had the good fortune to come in not knowing anything," Mr. Adler recalls. "So we tried the nontraditional."

Doing the unconventional meant passing up big department stores for a time in favor of mom-and-pop stores, especially those located near schools.

"We even hired salesmen who knew nothing about pens," Mr. Adler says. "If they knew pens—out. That way we didn't have to concern ourselves with any negative thinking about our pens and could move on a positive note."

In that early, sometimes discouraging period, Bob Adler often went into the field to sell and to try to learn how his salesmen could improve their sales technique. (He still occasionally calls on retailers, to keep his hand in.)

He didn't win 'em all.

One day he dropped in on a small store in nearby New Haven and made a pitch to have a rack of Bic pens placed on display. The owner tried to cut him off, said he had never heard of such a pen.

They haggled and finally the store owner said, "Tell you what, young man. If anybody ever comes in here and asks for a Bic by name, you've got yourself an order."

Bob Adler importuned his friends, his neighbors and anyone who would listen to visit the store and ask for a Bic. Many did. A few days later he returned, reminded the owner of the agreement, and inquired if anyone had tried to buy a Bic. The owner looked him in the eye and said dryly, "Nope."

It would be difficult to go anywhere in the world today and not find Bics. Various Bic companies manufacture them in 18 countries, from Kenya to Cambodia, with more than six million individual ball-points turned out daily.

Mr. Adler, who is also president and board chairman of the three-year-old Bic Pen of Canada, Ltd., is convinced he has to put out a quality product, despite its low price.

About a quarter of the 700 production workers at the Milford plant devote almost all their time to quality control. Mr. Adler himself regularly moves through the plant, inspecting operations. Until recently, he made a daily study of writing samples. Now he does so about once a week.

"People are going to remember you if you're good," he says. "But they'll remember you better if you're bad."

Unlike almost any other manufacturer in the country, Mr. Adler predicts he will be able to maintain today's price structure through the Seventies.

"With ball pens, the manufacturing process will become more automated, thus offsetting any inflationary trend and keeping prices where they are," he explains. "The key word is productivity. If you give a man a raise and he doesn't do more for it, then that's inflation." END

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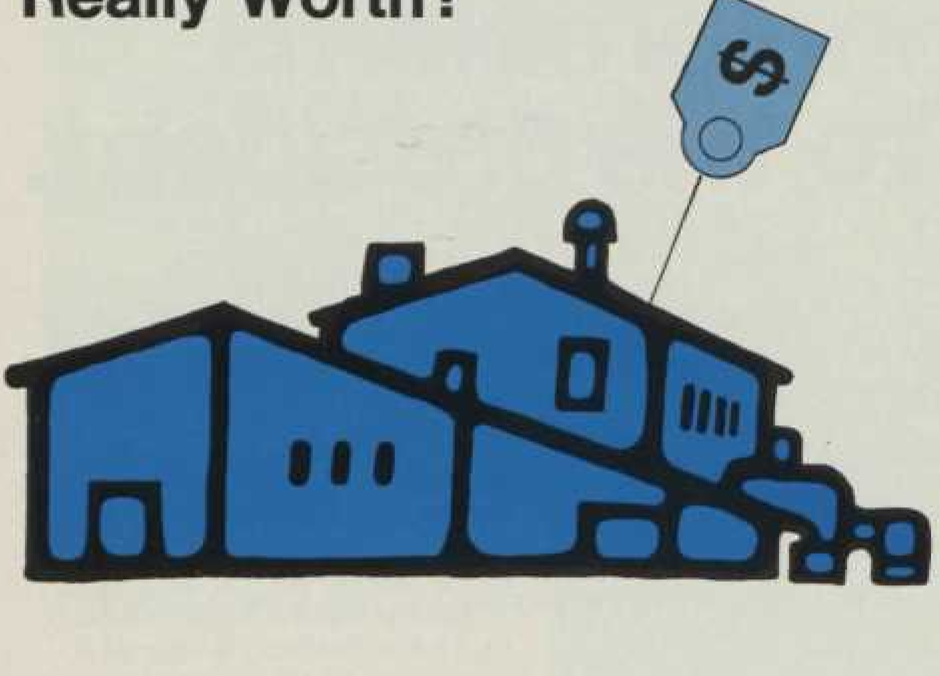
What Is Your Company Really Worth?



Over the years many market professionals have had a stock reply to the query: "What is a company worth?"

The response: "Only as much as a buyer or investor will pay for it."

But that is too pat an answer to a serious question.

Management at all times should have a pretty solid idea of what its company is really worth. And this means much more than just reviewing the cold figures on the income statement and balance sheet. Knowing where your company stands enables you to move swiftly and surely when the need arises.

You should have separate valuations for each of three major corporate purposes:

- Determining estate taxes.
- Sale or merger potential.
- Public offering of equity securities.

In evaluation for estate taxes, such factors as tangible asset values, profit history, dividend policy, the market outlook for company products, recent legislative decisions and case law must be considered and analyzed.

Evaluation with a merger in mind should also take into account projected profitability, anticipated capital requirements for expansion and the current price-earnings multiple of similarly situated publicly owned firms.

If you are weighing going public your valuation will include all the above, plus a decision as to whether you are now willing to disclose to the outside world—including competitors—detailed sales, earnings, salaries and other data previously considered extremely confidential.

Also, relationships should be drawn between the costs of public financing versus those of a tax-free merger.

No matter what the purpose of the evaluation, management should undertake and maintain a "what is our company worth" dossier. How?

First, compute the present market value of the various tangible assets. While evaluation of cash and receivables is fairly simple, pay particular attention to "reserves for doubtful accounts" and other contingencies. Determine inventory valuation at replacement cost.

Fixed asset evaluation requires different techniques. Bear in mind that the appraised value of buildings and the price a buyer is willing to pay for them may differ widely.

For example, a Midwestern electronics producer was negotiating a merger, but could not convince the purchaser that the net book value of its land and buildings was artificially low compared with actual market value. It took skillful negotiation to reconcile the difference.

Good and useful machinery, even though largely depreciated, may be worth considerably more than book value. This is particularly true of the conservative company that has used accelerated depreciation and expensed all dies and tooling in the year of purchase.

Ever rising maintenance charges on old equipment will, of course, be reflected in the profit and loss statements. The "sharp pencil" buyer will be thinking of the costs involved in installing the latest type of automatic machinery, as he undoubtedly will be aiming at lower production costs. These factors usually receive close attention from astute merger partners.

Your pluses and minuses

Assets, of course, are the "pluses" of a business. But on the same financial statement are the "minuses"—the company's liabilities. While a company might not be proud of its "minuses," such obligations must be reckoned with. Let your financial statement be forthright and complete.

For evaluation purposes the company's financial statement should reflect both its contingent and undisclosed liabilities. It should state fairly its federal income tax liabilities, both current and deferred, taking care to note any pending governmental claims. On the other hand, take into account such items as possible tax refunds or royalties.

One company merged not long ago with a very "clean" financial statement. Only after the transaction was completed did the buyer realize there was an unfunded pension liability for past service that amounted to over 20 per cent of the purchase price.

Another found too late that the four top officers of a newly purchased firm had executed employment contracts "to the deathbed" shortly before mak-

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W. T. GRIMM, *author of this article, is president of W. T. Grimm & Co., Chicago-based merger and acquisition consultants.*

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What Is Your Company Really Worth? *continued*

ing the deal. Review old purchase contracts that today may be somewhat less than favorable. Consider contractual obligations with labor unions and the possible effects on costs when new labor contracts are negotiated. Figure the projected and unfunded costs of the pension plan.

What are intangibles worth?

The area of intangible assets, other than the company's inherent earning power, is still another vital part of a company evaluation. Patents and formulas, special contracts, licensing agreements and favorable leases can all add significantly to the over-all worth of a company. Make a thorough analysis and find out what each is worth in terms of future profitability.

A good measure of goodwill is the amount by which profits of your company exceed the industry average. This extra should command a premium in any market. Intangible value can be overdone, however. Experience shows that the company with lagging profits is losing its goodwill, or has lost it altogether. In this case, the tangible assets should sell at a discount, if the business is to be maintained as a going concern.

A gear company had an asset value of $1.6 million and a "going business" value of $900,000 because of low profits. Goodwill was a minus figure.

While a company's past earnings record provides valuable clues to management capability, take into consideration the age, health and future interests of its top executives and the breadth of its middle management. Perhaps present management has been instrumental in bringing the company to its current level of prosperity. But can middle management shoulder top executive burdens?

An accurate estimate of future earnings must be made. This is no simple task. Earnings from present product lines may be forecast with some accuracy, but how long will they last? What might it cost to develop and introduce new products? What is their profit potential? Will present lines become obsolete?

One common pitfall is the failure to measure a product in relation to customer attitudes and buying habits.

A striking example was seen in a product line branded by customers the best in its field. The line consisted of quality components for integration into specialized production systems for the chemical industry.

What the manufacturer did not realize was that chemical company purchasing agents, despite their high regard for his products, wanted one supply source for the entire system. Too late, he learned that his product line was too short, and his projections of profitability totally unrealistic.

Whether you merge, go public or establish a valuation now for estate tax planning, the value of any company, short of liquidation, is its capacity to make profit.

Your evaluation should consider the projected or budgeted level of earnings in the next five to 10 years. Many managers say their industry cannot project beyond the present, but in virtually every such case examined, it becomes clear that little, if any, intelligent effort to project is made.

Every business has indicators. The fishermen in Florida watch the south Texas weather, knowing they will likely get the same in a few days.

Check net earnings against net worth. Is the ratio above or below the industry average? If it is below, get competent help to find out what is wrong. Is the cost of sales too high? Can a lower cost source of raw materials be located? Would automation reduce labor costs? Can a computer system be afforded?

Take constructive steps to become more competitive. Better valuations result from an "aware" management.

Finally, to determine what your company is really worth, you must capitalize its past and future earnings. Management should back up its projection of future profits with a carefully worked out budget which can be compared and adjusted monthly or quarterly to actual profit performance.

Asking the hard questions

Management must continually investigate its existing products and markets. You must ask yourself such penetrating questions as these:

- Are the company's product lines or markets declining, static or growing?
- Are the company's principal products falling prey to obsolescence?
- Is poor merchandising contributing to customer apathy?
- Is the company losing ground to competition?
- Are the company's fortunes likely to sag more sharply than those of competitors if the company experiences a downturn?
- Can the company survive without injections of new money for new product development?
- Is plant capacity able to handle a substantial increase in production?
- Is management reaching retirement age? If so, can secondary management assume top executive responsibility?

Every aspect cited has a vital bearing on what a company might be worth in a merger, or for estate tax valuation or in a public offering. Under any circumstances, an astute management should keep abreast of these separate valuations at all times.

There are few good policy-making managers. The really good ones make sure that at least 50 per cent of their constructive time is reserved for planning, one portion of which should be corporate appraisal. An evaluation of a company, once arrived at, is not a static conclusion any more than a company is static. The value will fluctuate as the variables in the picture change, if for no other reason than the passage of time.

Planning and organizing a study of corporate evaluation is a management function to which top executives are exposed all too infrequently. It is a tough job requiring special skills and training. Some companies do the work themselves; others use outside specialists. No matter what route it follows, your company must know where it stands and what it's worth. END

REPRINTS *of "What Is Your Company Really Worth?" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Lowering the Patent Barriers

A treaty is in the works which would make it easier for Americans to protect their inventions abroad—and for foreign inventors to file here

Patent Commissioner William Schuyler says a new Patent Cooperation Treaty would give U. S. businessmen more time to decide on filing for foreign patents.

Tom Quinn's list of clients is almost a "Burke's Peerage" of big, blue chip U. S. corporations.

For starters, there are Borg-Warner, General Electric and IBM.

Mr. Quinn has built a thriving, highly specialized business by helping solve one problem that plagues inventors—corporate or private.

The problem?

Obtaining patents abroad.

Today, every country has its own set of rules. No two sets are an exact match.

For example, if you file an application for a patent in Canada, you must send two freshly typed or printed descriptions of the invention and your claims.

A Xerox copy of your original documents won't do.

But a copy would be okay with the U. S. Patent Office—and other patent offices abroad.

Usually countries are even more finicky about the drawings that go with the patent application.

That's where the Quinn Patent Drawings Service comes in. It will reproduce the drawings, in all the infinite variety required to meet each country's requirements.

One client, for example, is filing for patents on a tray for packing U-shaped bulbs.

In addition to the United States, he is filing in Canada, France, Germany, Holland, Italy and Sweden.

"The United States requires one set of drawings," Mr. Quinn says. "But Canada wants two.

"One set on Bristol board without markings, one on plain bond. They must be exactly 33 by 20.3 centimeters with a white margin, but no margin lines, of one inch.

"France wants four sets of drawings, all on parchment-like paper. Each sheet must be 21 centimeters by 29.7. It has to have a margin line two centimeters from the edge.

"Germany wants three copies. One on vellum, the others on white nonglossy stock. The size is the same as that required by France.

"Turkey wants seven copies of drawings—five on Bristol board, two on linen.

"Egypt and Libya won't allow any Arabic numerals on the drawings. We have to block them out. They ink in their own."

Tom Quinn's Washington firm is one of the two biggest patent reproduction companies in the country.

His business is on the upbeat. More and more U. S. firms are filing for foreign patents.

Shortcut to foreign patents

But Mr. Quinn is apprehensive about the future.

"If the new patent treaty leads to standardized international requirements for drawings," he says, "some firms will be hurt."

He refers to the Patent Cooperation Treaty, whose final draft was initiated at a meeting in Washington earlier this year. It is designed to make it simpler for inventors to file for foreign patents.

It will also, experts hope, give U. S. firms more time to decide whether to file abroad or not.

Twenty nations, including the United States, have signed the treaty. However, it has yet to be ratified by the Senate. After eight nations ratify it (four must be nations of major patent activity) the treaty will come into force.

When that happens, it will provide several advantages to the U. S. inventor who wants patent protection in other countries as well as at home.

For instance, when he files for a U. S. patent, he can file an international application at the same time, using the same set of documents and drawings. The application is valid in as many countries as he designates.

The new treaty also gives him 20 months, from the time his international application is filed, to perfect it. At present, he has only 12 months.

Finally, he will get a search of foreign and domestic patents, to see if any earlier patents or "prior art" invalidate his claims.

Jack Rabinow, vice president, Control Data Corp., has nearly 200 patents to his credit. He scored big abroad with his magnetic particle clutch. He might have done the same with a new phonograph arm he invented. Trouble was, he had a patent in the United States, but not overseas. Filing, he says, was "too expensive."

"For the U. S. businessman," says Patent Commissioner William E. Schuyler Jr., "the most important thing is that the treaty would give him more time for businesslike decisions.

"Now, once he files for a patent in the United States, he has only a year to file abroad—if he wants the same priority date on his patent overseas.

"But it takes about four months to get his specifications and claims redrafted, translated and ready for filing.

"So a U. S. firm has, at most, only eight months to evaluate the commercial possibilities of its invention, test market it—and decide whether to file for foreign patents.

"Under the new treaty, the American businessman will have 16 months to decide, instead of eight.

"In effect, his decision-making time will be doubled."

High cost of hurry

Today, the U. S. inventor—faced with a 12-month deadline—must often file in haste. Sometimes that means repenting at leisure.

"Our engineers came up with a new way to pelletize iron ore," one corporation patent attorney relates.

"They did it in a pilot plant built for cement—not pellets. But the pellets were really perfect.

"We filed for a U. S. patent pronto.

"Then the question came up of filing abroad. At the time, this process was little more than an experiment. Because of the uncertainties of the market for iron ore pellets, our plans to put the process into production were only tentative.

"So we filed only in key countries—primarily because filing's expensive.

"But the process turned out to be a great commercial success. About one third of all the world's production of iron pellets is now made by this process.

"If we had had more time to evaluate and study it, I'm sure we would have applied in far more countries."

Sometimes, haste makes waste.

"We hit on a new process for plating electrical contacts," another corporate patent attorney recounts.

"Our research people thought it would eliminate a whole step in the way it had been done. Under lab conditions, it looked like it had promise.

"And the cost savings would be tremendous.

"We filed in the United States—and a number of other countries.

"Six months later, the engineers informed us they'd found a bug in the process—and it just wouldn't work.

"If we had had the time the new treaty gives us, we would have held up on filing abroad.

"But we couldn't risk the delay under the present rules.

"So we blew about $10,000—the amount we had invested in filing abroad."

What runs up the bill

Today, filing an application for a foreign patent runs about $400 to $600, patent attorneys estimate. Or more.

"You might spend $700 or $800 to get a case filed in Japan," says Donald W. Banner, general patent counsel, Borg-Warner Corp.

"You can't just measure it in filing fees and translation costs, although even those can be sizable," adds Robert B. Benson, general patent attorney, Allis-Chalmers Manufacturing Co.

"But where the big cost comes in is the 'Mickey Mouse' of processing every application. That's time consuming for patent attorneys. And the amount of time an attorney has to spend on an application is what runs up the bill."

Inventor Jack Rabinow, vice president, Control Data Corp., Washington, D. C., and director of its Rabinow Laboratory, illustrates the high cost of obtaining patent protection abroad.

"I invented a magnetic particle clutch and I was given all the foreign rights. I filed 44 patents in 22 coun-

tries—and it cost $37,000 before the patents were even issued.

"As it happened, it was worth it.

"But not all inventions are. I invented a phonograph arm which is now commercial. I filed only in the United States. Recently, a German firm told me they'd like to have a foreign license.

"I said, 'I can't give it to you because I don't have any foreign patents.' I lost a lot of money because I couldn't afford to file for foreign patents on this invention.

"I have 191 patents, of which maybe half belong to me, and half to the company I work for. If you have 10 patents and you'd like to file them in 10 countries, that's 100 patents. And 100 patents will cost you, say, $100,000.

"My own former company, Rabinow Engineering, which was a small firm, couldn't afford it. We turned out a lot of inventions. We'd like to have patented some 50 reading machine inventions in 10 countries each. That's 500 patents. We couldn't afford the $500,000 or so.

"That's the trouble with the system today."

Will the new system, if ratified, necessarily save U. S. inventors money?

"I don't believe it will save us dollars," says Edgar W. Adams Jr., patent attorney director, Bell Telephone Laboratories, Inc.

"But we'll put our money on the right patents. We'll throw away less on weak patents—or on claims that aren't patentable."

Why they file quickly

U. S. inventors, corporate and others, file as quickly as they can for several reasons.

For one thing, nearly every foreign country follows a "first to file" rule.

If two inventors file competing or overlapping claims, the first to file gets the invention. So the race is to get your claim in first.

However, if a U. S. inventor files for a foreign patent within 12 months of filing for one at home, the date of his filing here is accepted abroad. If he waits longer, it's not.

Secondly, publishing the discovery before filing at home voids the right to get a patent on it.

"If we don't file promptly, some engineer will write a technical article and destroy our right to patent it all over the world," says Donald C. McGaughey, Allis-Chalmers attorney.

"We can understand why; these men want recognition in their field."

After filing at home, filing promptly abroad usually means doing so before the U. S. Patent Office has searched here and elsewhere to see if someone else has already claimed your discovery. That search now takes about 18 months.

Under the new Patent Cooperation Treaty, the international search deadline is nine months—plus an extra two, if the office making the search requests it, in the early years of the treaty.

"You're not guaranteed that any previous patent won't be overlooked," says Edward F. McKie, a Washington patent lawyer. "But the searches are likely to be pretty definitive."

"A good search can turn up some real surprises," says Borg-Warner's Don Banner.

"A patent application has two parts. First, a long technical description of the invention, including drawings to show how it works. Then, what you claim for it.

"Suppose you've invented disc brakes. You have drawings to show how they work on an automobile. Your drawings may include the whole automobile and all its working parts.

"But you're just claiming the brakes. Why? Maybe you're just in the brake business.

"Later on, I come along, and I want to get a patent on a new steering wheel. But a good examiner turns up this patent on disc brakes. It shows basically the same kind of steering wheel as mine.

"So it's part of the known 'prior art' or technology—and I can't get a patent."

Not everyone thinks the new treaty means progress.

One who takes a dim view of it is Lester Horowitz, partner, Langner, Parry, Card & Langner. This big, well-known international law firm specializes in filing foreign patent applications.

Making it easier to file for foreign patents, Mr. Horowitz believes, will lead to a flood of applications in this country from abroad.

"The Soviet Union, Germany, Japan—they'll all be filing here, because this is the richest market.

"That will make it tougher for the U. S. inventor, especially the little guy. But there's no *quid pro quo*. In many countries, the U. S. inventor doesn't want to file.

"All the major countries, including Japan, Britain, France and the Soviet Union, have some restrictions on licenses or getting your money out. The only exception is West Germany."

Domestic slowdown?

Other patent lawyers wonder whether the treaty would slow down the handling of domestic applications.

The U. S. Patent Office is likely to be one of the agencies that make those international searches which have to be completed in nine to 11 months.

Would it meet that deadline, the patent lawyers ask, by giving international treaty applications a priority?

Patent Commissioner Schuyler says "No."

"If we had to do that," he adds, "we wouldn't agree to take on international searches."

Many patent experts are optimistic about the treaty. (You can get a free copy from the Commissioner of Patents, U. S. Department of Commerce, Washington, D. C., 20231.)

"It's an opportunity for a world patent system to get a start and cut down on the horrendous duplication today," says George R. Clark, patent counsel and assistant vice president, Sunbeam Corp.

"It will coordinate searching and have it done in a more efficient way," says John Schulman, president, American group, International Patent and Trademark Association.

"It will probably minimize the procedural problems we encounter when we try to obtain patents overseas," says Martin Kalikow, manager and patent counsel, International Patent Operations, General Electric Co. But it will take some time to discover whether the brightest hopes—or worst fears—for the treaty are realized.

It won't be ratified and in operation, the U. S. Patent Office estimates, before 1975. END

THIS MONTH'S GUEST ECONOMIST

Edwin H. Yeo III
Senior Vice President
Pittsburgh National Bank

PRESSURES ON THE DOLLAR

There have been dramatic shifts in the international monetary system during the past three years.

These years saw the devaluation of the pound sterling and the French franc, the revaluation of the German mark and the upward flotation of the Canadian dollar.

They also saw the advent of the two-tier gold system, a system divided into private and official markets.

Creation of the International Monetary Fund's Special Drawing Rights, designed to provide the extra liquidity needed to finance payment imbalances and permit orderly trade expansion, was another landmark. The first allocation of this unconditional reserve asset was made last Jan. 1, when $3.4 billion of "paper gold" was distributed to 104 participating countries, and $3 billion in allocations are planned in 1971 and 1972.

Finally, the IMF again enlarged Fund quotas in order to provide further liquidity and achieve better quota balance.

The U. S. dollar—the world's principal reserve currency—remains subject to pressures, however.

Perhaps the most basic threat to its international standing emanates from continuing U. S. balance of payments deficits. With only two exceptions, these have occurred in every year since 1950.

During the early part of the Fifties, such deficits were welcomed as Europe strove to rebuild its economy and other nations desired to build up their working dollar balances. But deficits persisted longer after the need for such large outflows had passed. They were the result of a narrowing trade surplus, growing U. S. investment abroad, increased tourist spending and a continuing program of international loans and grants.

The number of dollars going abroad continued to rise. This flow greatly enlarged the dollar holdings of foreign central banks and monetary authorities, and substantially added to foreign private holdings, forming the base for today's Eurodollar market.

Meanwhile, official U. S. gold holdings continued to decline. In 1949, this country's gold holdings were 3½ times greater than its external liquid liabilities. But by 1969, the reverse was true, with external liquid liabilities being some 3½ times larger than official gold holdings.

If the United States is to achieve more than an occasional surplus in its payments balance, fundamental improvement will have to be made in its current account—particularly in its trade balance—rather than in the more mercurial capital sector.

To attain this goal, the U. S. must improve its terms of trade through increased productivity, including greater efficiency in its use of capital. Unlike other countries, America is virtually precluded from improving its trade and payments position via devaluation by increasing the price of gold.

Changing liquidity preference is a second factor affecting the position of the dollar. Both the level and composition of total international reserves varies through time. In particular, the relationship of gold to total reserve holdings (primarily dollars) has shown sharp variations.

This has especially proven true during periods of economic stress. Thus, gold holdings as a percentage share of total reserves holdings dropped sharply in the United Kingdom in the final quarter of 1967, at the time of the devaluation of the pound. Resulting pressure on the dollar also drained U. S. gold reserves. Growing gold price speculation resulted in a pronounced decline in official gold holdings and led to dissolution of the London Gold Pool in March, 1968, and eventual establishment of the two-tier gold system.

A marked variation also occurs in the traditional composition of each nation's international reserves. Thus, early in 1970, France held 86 per cent of its total reserves in the form of gold. On the other hand, Japan has normally held little of its overall reserves in gold.

In general, however, it has been the wealthy developed states which have retained large gold holdings in relation to their total reserves; smaller, developing countries have had to rely more on dollars and other hard currencies for their reserve base.

In short, the desire of foreign central banks and monetary authorities to hold either gold, dollars or other forms of reserves depends *inter alia* upon tradition, comparative interest rate levels, varying inflationary trends, working balance needs and political considerations.

Political considerations have become increasingly important. They were evident during the discussions which led to creation of the IMF's Special Drawing Rights, and later were reflected in several nations' decisions to refrain from SDR participation. And they remain a factor in determining the future role of SDRs vis-a-vis the dollar and gold.

On a broader scale, international and domestic politics have influenced national positions on proposed exchange liberalization plans, including the oft-mentioned wider exchange bands and the crawling peg.

Opposition to these proposals frequently has been expressed in terms of their permitting the U. S. and the dollar to escape the balance of payments restraints presently imposed by fixed narrow exchange bands. Conversely, the U. S. and others have supported such a change as a means of effecting gradual exchange adjustment rather than awaiting a time when fundamental disequilibrium requires a major realignment.

A number of new features have thus been added to the international monetary system, and more are under consideration. But such changes have not yet succeeded in insulating the dollar. Until put to the test, their reliability and true worth are difficult to assess. Like the Maginot Line, they may have been erected at the wrong place and at the wrong time.

BUSINESS | A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Agriculture experts expect the Southern leaf blight mutant that damaged the feed corn crop this year to have a significant impact on the crop in 1971, and possibly in 1972.

But production may swing upward in 1973 if two promising hybrids developed cooperatively by the Illinois Agricultural Experiment Station and the U. S. Department of Agriculture become available to farmers. They were released to seed growers on Oct. 15. Called WS9C and WS9S, the new yellow dent corn inbreds are more resistant to the blight than the T-cytoplasm strain which is now predominantly grown by Midwest farmers.

A USDA spokesman says that "with a lot of luck" in seed production, limited quantities of the new varieties could be available for the 1972 growing season.

CREDIT AND FINANCE

Expansion of federal control over consumer credit is going to be an even hotter issue. It was a major topic at a recent American Bar Association national institute on "Consumer Credit in the Seventies," held in Chicago.

Prior to enactment of the Consumer Credit Protection Act of 1968, virtually all regulation was vested in the states. Today the federal government exercises control over about 25 per cent of credit. Concern is that if states don't modernize legislation there will be more federal involvement.

One trend is towards voluntary cooperative enforcement. The Federal Trade Commission now has informal working liaison agreements with 12 states for assistance in obtaining compliance with the Truth in Lending Act. The 12: Alabama, Alaska, Idaho, Kansas, Montana, New Hampshire, Oregon, Rhode Island, South Dakota, Vermont, Virginia and West Virginia.

HUMAN RESOURCES

National health insurance is going to remain labor's number one legislative target for 1971.

Labor favors "prepaid group practice" instead of "bill-paying insurance." The objective would be preventive medicine, with the patient still retaining freedom of choice of doctors.

The Health Insurance Institute reports seven out of eight people in this country now have some form of private health insurance, such as hospitalization.

Major medical expense insurance, which pays for virtually all care and treatment, is held by 72 million, up five million in the last year. In all, 135 million people have some form of medical expense insurance which helps pay for nonsurgical services.

MANUFACTURING

Fun vehicles are rapidly becoming the nation's second means of private transportation and a top bidder for the some $83 billion the consumer spends annually for recreation and leisure living.

In 1969 about $38 billion of this went for sports and for personal consumption activities and items such as fun vehicles.

Makers of snowmobiles, minibikes, dune buggies, trail bikes and other such forms of transportation see a steadily upward demand.

For example, the International Snowmobile Industry Association sees annual production of one million snowmobiles in North America by 1973.

On the horizon is yet another vehicle—a one-man jet-propelled platform that looks like Dick Tracy's antigravity car. Williams Research Corp. of Walled Lake, Mich., expects to have it on the market in three to five years for law enforcement use, and in 10 years to have it available for the general public in the price range of a luxury auto.

CONSTRUCTION

People in the construction business have known all along, and many home craftsmen have learned the hard way, that a two-by-four actually measures out at about 1⅝ by 3⅝ inches, green or dry.

Now, there's a new two-by-four. It measures 1⁹⁄₁₆ by 3⁹⁄₁₆ inches unseasoned and 1½ by 3½ inches dry.

On Sept. 1, wood products manufacturers adopted new national softwood standards for all two-inch dimension and one-inch board lumber.

Lumber sizes in the future will be related to moisture content at the time of manufacture. Objective is to insure the end product bought by the consumer, whether seasoned or unseasoned, is of uniform size when in place.

Termed a "milestone" by the National Forest Products Association, the change gives the consumer greater protection and aids the builder through more efficient sizes and uniformity of grading.

The Western Wood Products Association predicts this "could save the home builder and buyer about $150 per house." Transition period to new sizes will extend into 1971.

What will the new two-by-four be called? Two-by-four.

MARKETING

At the earliest, major changes in government buying practices resulting from the recommendations of the Commission on Government Procurement probably won't come until late 1972.

The Commission, which will have 15 study groups in operation by the end of this month, may not complete its final report until the spring of 1972, even though its charter expires next November.

Years of legislative work may follow.

But that won't preclude changes. Already, the shrinking Defense Department budget has altered attitudes of businessmen bidding on government contracts. In some cases it's a matter of survival.

In the past, losing bidders rarely contested decisions. Main recourse has been to file a protest with the General Accounting Office. Asking for a review in federal court has been considered futile.

This is no longer true. A recent landmark court decision was handed down in favor of A. G. Schoonmaker, Inc., finding the Army had acted illegally in conducting the bidding process for an electrical generator contract. There are reports that Defense will appeal.

NATURAL RESOURCES

Businessmen are hoping for order in the confused water pollution control scene.

Take detergents. Phosphates have been fingered as the controlling nutrient causing choking overgrowth of plant life in lakes and streams. This prompted a rush for substitutes, one being NTA, a compound containing nitrogen.

But nitrogenous compounds are suspect, according to a paper presented at the recent Water Pollution Control Federation gathering in Boston. John Ryther, a Woods Hole Oceanographic Institution scientist, says substitution of nitrogen for phosphates could aggravate, rather than lessen, eutrophication (oxygen starvation) of the inshore marine environment.

A major producer of phosphates now claims that independent industry, government and university research shows carbon, rather than nitrogen or phosphates, is most often the key nutrient in fresh water.

The major source of carbon is organic waste from sewerage and industrial sources. Less than one third of our population is now served by adequate treatment plants.

TRANSPORTATION

With airline passenger traffic growth rate predicted to be less explosive in the future, air cargo possibilities are getting more attention.

There are forecasts that it's only a matter of time until cargo, which now accounts for 10-12 per cent of airline revenue, tops passenger revenue. The most optimistic prediction is that this will happen by 1980.

Air cargo's growth rate in recent years has averaged about 20 per cent. One survey predicts an elevenfold increase by 1985.

It's generally agreed that major problems are terminals and ground handling capacities. A problem that reportedly is waning is airline "thinking." In the past the overwhelming emphasis has been on passengers, but that is now shifting.

Also interested in air cargo are the railroads. The CAB recently okayed two as air freight forwarders.

EDITORIAL

BEHIND THE SMOKE SCREEN

If we had a dictator, he could solve our air pollution problems overnight.

He could outlaw automobiles, industrial plants, electric power, kitchen stoves and all the other necessities that make smoke but also make our lives so healthy and comfortable.

But, of course, the American people wouldn't stand for that. It would be pretty hard to keep some guy from starting a fire to cook some food.

So, let's weigh the steps we take toward the fine goal of clean air—and clean water, too—against their cost.

We can solve our problems better with brains than with chains.


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